



**Byleasing Holdings Limited**

**百應租賃控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

# SHARE OFFER

**Sole Sponsor**



**Sole Global Coordinator**



# IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.



## ByLeasing Holdings Limited 百應租賃控股有限公司

(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        | : 67,500,000 Shares (subject to the Offer Size Adjustment Option)  |
| Number of Public Offer Shares | : 6,750,000 Shares (subject to reallocation)   |
| Number of Placing Shares      | : 60,750,000 Shares (subject to reallocation and the Offer Size Adjustment Option)   |
| Offer Price                   | : Not more than HK\$1.42 per Offer Share and expected to be not less than HK\$1.20 per Offer Share, (payable in full on application in Hong Kong dollars and subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%) |
| Nominal value                 | : HK\$0.01 per Share   |
| Stock code                    | : 8525   |

#### Sole Sponsor



#### Sole Global Coordinator



#### Joint Bookrunner & Joint Lead Manager



#### Joint 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 of 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 of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in this Prospectus has been registered with 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 and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by an agreement to be entered into between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 11 July 2018 or such later date as may be agreed between the Company and the Sole Global Coordinator. The Offer Price will not be more than HK\$1.42 per Offer Share and is currently expected to be not less than HK\$1.20 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 11 July 2018 or such later date as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.byleasing.com](http://www.byleasing.com). Prospective investors of the Offer Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreements by means of a notice in writing given to the Company by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth under "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination," at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered, sold or delivered outside the United States in accordance with Regulation S under the U.S. Securities Act.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this Prospectus, including, without limitation, the risk factors set out in "Risk Factors" in this Prospectus.

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## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate small and mid-sized 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.*

*Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high 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 publication on the 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 GEM listed issuers.*

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be published in English on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.byleasing.com](http://www.byleasing.com).*

2018<sup>(Note 1)</sup>

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

Application Forms available from ..... 9:00 a.m. on  
Saturday, 30 June

Latest time for completing electronic applications under  
**HK eIPO White Form** services through the designated  
website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(Note 2)</sup> .....

11:30 a.m. on  
Monday, 9 July

Application lists of the Public Offer open<sup>(Note 3)</sup> ..... 11:45 a.m. on  
Monday, 9 July

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and to give **electronic**  
**application instructions** to HKSCC<sup>(Note 4)</sup> ..... 12:00 noon on  
Monday, 9 July

Latest time for completing payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s) or

PPS payment transfers ..... 12:00 noon on  
Monday, 9 July

Application lists of the Public Offer close<sup>(Note 3)</sup> ..... 12:00 noon on  
Monday, 9 July

Expected Price Determination Date on or around<sup>(Note 5)</sup> ..... Wednesday, 11 July

Announcement of (i) the Offer Price; (ii) the level of  
indications of interest in the Share Offer; (iii) the level of  
applications in the Public Offer; (iv) the basis of allotment  
of the Public Offer Shares; and (v) the number of  
Offer Shares reallocated, if any, between the Public Offer  
and the Placing to be published on the website of the  
Company at [www.byleasing.com](http://www.byleasing.com)<sup>(Note 8)</sup> and the website of  
the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) .....

Tuesday, 17 July

Results of allocation in the Public Offer will be  
available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result)

with a “search by ID” function on ..... Tuesday, 17 July

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## EXPECTED TIMETABLE

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2018<sup>(Note 1)</sup>

Announcement of results of allotment of the Public Offer

(with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described in "How to Apply for the Public Offer Shares

— 11. Publication of Results" in this Prospectus from ..... Tuesday, 17 July

Despatch/collection of share certificates and/or

refunds cheques or **HK eIPO White Form e-Auto Refund**

payment instructions on or before<sup>(Notes 5 to 12)</sup> ..... Tuesday, 17 July

Dealings in Shares on GEM to commence at ..... 9:00 a.m. on  
Wednesday, 18 July

The application for the Public Offer Shares will commence on Saturday, 30 June 2018 through Monday, 9 July 2018, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 17 July 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 18 July 2018.

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Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer" in this Prospectus.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications when the application lists close.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 July 2018, the application lists will not open or close on that day. Further information is set forth in "How to Apply for the Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Public Offer Shares — 5. Applying through **HK eIPO White Form Service**" in this Prospectus.
5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 11 July 2018. If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around Wednesday, 11 July 2018, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$1.42 per Offer Share, applicants must pay the maximum Offer Price of HK\$1.42 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but the surplus application monies will be refunded, without interest, as provided in "How to Apply for the Public Offer Shares — 13. Refund of Application Monies" in this Prospectus.

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## EXPECTED TIMETABLE

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6. Share certificates for the Offer Shares are expected to be issued on Tuesday, 17 July 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 July 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
8. None of the Company's website or any of the information contained in the Company's website forms part of this Prospectus.
9. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms or **HK eIPO White Form** and provide all information required may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from the Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 July 2018 or any other day as announced by us as the date of dispatch of share certificates/refund cheques. Individuals who are eligible for personal collection must not authorize any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorized representative(s) bearing a letter of authorization from such corporation(s) stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.
10. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and provide all information required may collect their refund cheques, if any, in person but may not collect their share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
11. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.
12. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for the Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

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*This Prospectus is issued by us solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this Prospectus. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer. The contents of the Company's website at [www.byleasing.com](http://www.byleasing.com) do not form part of this Prospectus.*

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## SUMMARY AND HIGHLIGHTS

*The summary and highlights aim to give you an overview of the information contained in this Prospectus. As they are summary and highlights, they do not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares.*

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

### OVERVIEW

We are a finance leasing company in Fujian Province dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals. To a lesser extent, our customers also include reputable large enterprises. According to Frost & Sullivan, we were the sixth largest licensed finance leasing company, with a market share of 1.1%, in terms of revenue in Fujian Province, China’s tenth largest province by GDP, in 2017. We primarily offered equipment-based finance leases, the term of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.3 million to RMB20.0 million, during the Track Record Period. To a lesser extent, we also provided factoring services and value-added advisory services to our customers. Since our inception, we had over 1,000 customers located in over 20 provinces.

#### *Our Finance Leasing Services*

During the Track Record Period, we primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers.

The following tables set forth certain information of our finance leasing services by industry during the Track Record Period:

#### 2016

|   | <u>Range of finance lease value</u> | <u>Average finance lease value</u> | <u>Range of interest rate</u> | <u>Average interest rate</u> | <u>Number of customer(s)</u> | <u>Number of agreement(s) in effect<sup>(3)</sup></u> |
|---|-------------------------------------|------------------------------------|-------------------------------|------------------------------|------------------------------|---|
|   | <i>RMB'000</i>                      | <i>RMB'000</i>                     | <i>%</i>                      | <i>%</i>                     |                              |   |
| Infrastructure . . . . .                                      | 200,000                             | 200,000                            | 8.35                          | 8.35                         | 1                            | 1   |
| Manufacturing . . . . .                                       | 151~24,300                          | 2,846                              | 10.33~29.45                   | 17.47                        | 89                           | 127   |
| Services <sup>(1)</sup> . . . . .                             | 172~7,080                           | 821                                | 13.06~23.16                   | 15.37                        | 100                          | 148   |
| Construction . . . . .  | 158~18,400                          | 694                                | 11.72~26.12                   | 13.54                        | 163                          | 173   |
| Agriculture, forestry, animal husbandry and fishery . . . . . | 17,500                              | 17,500                             | 22.77                         | 22.77                        | 1                            | 1   |
| Wholesale and retail . . . . .                                | 10~3,000                            | 651                                | 9.54~29.57                    | 18.63                        | 6                            | 47  |
| Others <sup>(2)</sup> . . . . .                               | 300~4,800                           | 983                                | 13.26~21.73                   | 14.83                        | 7                            | 12  |

## SUMMARY AND HIGHLIGHTS

2017

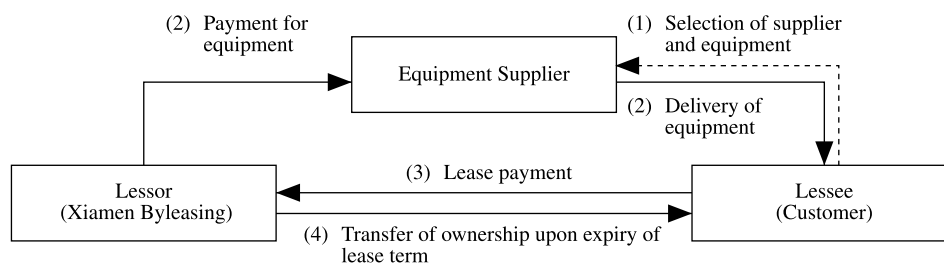
|  | Range of finance<br>lease value | Average<br>finance lease<br>value | Range of<br>interest rate | Average<br>interest<br>rate | Number of<br>customer(s) | Number of<br>agreement(s)<br>in effect <sup>(3)</sup> |
|--|---------------------------------|-----------------------------------|---------------------------|-----------------------------|--------------------------|---|
|  | <i>RMB'000</i>                  | <i>RMB'000</i>                    | %                         | %                           |                          |   |
| Infrastructure . . . . .                                     | 200,000                         | 200,000                           | 8.35                      | 8.35                        | 1                        | 1   |
| Manufacturing . . . . .                                      | 130~19,480                      | 3,802                             | 10.33~29.16               | 18.06                       | 61                       | 89  |
| Services <sup>(1)</sup> . . . . .                            | 110~33,864                      | 2,238                             | 13.06~21.85               | 15.36                       | 65                       | 114   |
| Construction . . . . .                                       | 158~33,000                      | 1,143                             | 11.13~26.12               | 13.47                       | 127                      | 133   |
| Agriculture, forestry, animal<br>husbandry and fishery . . . | 17,500                          | 17,500                            | 22.77                     | 22.77                       | 1                        | 1   |
| Wholesale and retail . . . . .                               | 10~40,000                       | 1,674                             | 9.54~29.57                | 17.60                       | 15                       | 59  |
| Others <sup>(2)</sup> . . . . .                              | 300~5,700                       | 1,671                             | 12.01~21.73               | 14.57                       | 7                        | 8   |

Notes:

- (1) Include equipment leasing, education, financial and catering services.
- (2) Include water, environment and public facilities management, mining, real estate, transportation, storage and postal and accommodations industries.
- (3) Include agreements that contributed to our revenue for the relevant year.

### Direct finance leasing

Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. A direct finance lease typically involves three parties, namely, lessor, lessee and equipment supplier. In direct finance leasing, we enter into two agreements, namely, the finance leasing agreement and the purchase agreement. The following diagram illustrates the relationship among the three parties in a typical direct finance leasing transaction:



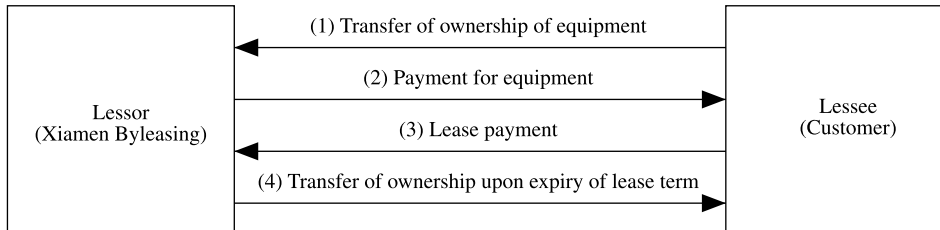
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## SUMMARY AND HIGHLIGHTS

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### **Sale-leaseback**

Sale-leaseback is primarily used by our customers who need working capital to fund their business operations. A sale-leaseback transaction typically involves two parties, namely, lessor and lessee. In providing sale-leaseback service, we enter into a finance leasing agreement with our customers. The following diagram illustrates the relationship between the two parties in a sale-leaseback transaction:



For details, see “Business — Business Operations” in this Prospectus.

### ***Our Factoring Services***

In addition to the finance leasing services, we also provide factoring services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations. We have been providing factoring services since January 2016. In factoring services, we enter into factoring agreements with our customers. Under typical factoring agreements, the creditors assign their accounts receivable to us and we provide services including financing, account management and accounts receivable collection to our customers. After the assignment, the title of the accounts receivable is transferred to us.

### ***Our Advisory Services***

We once conducted our advisory services through our Previous Tibet Subsidiary. We disposed of the Previous Tibet Subsidiary on 16 November 2017. After the disposal, advisory services previously carried out through our Previous Tibet Subsidiary are carried out by Xiamen Byleasing. We provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. We tailor our advisory services to meet the specific needs and requirements of our customers. We constantly and closely interact with our customers to determine the appropriate service content and scope to provide optimal solutions with a focus on adding value to their business operations.

## SUMMARY AND HIGHLIGHTS

### *Our Revenue Source*

During the Track Record Period, we generated substantially all of our revenue from our finance leasing business. We experienced rapid growth during the Track Record Period. The following table sets forth the revenue breakdown by service type for the periods indicated:

|   | Year ended 31 December |                     |                      |                     |
|---|------------------------|---------------------|----------------------|---------------------|
|   | 2016                   |                     | 2017                 |                     |
|   | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Finance leasing services                    |                        |                     |                      |                     |
| Direct finance leasing . . . . .            | 8,836                  | 22.1                | 14,338               | 23.6                |
| Sale-leaseback . . . . .                    | 30,521                 | 76.4                | 41,377               | 68.0                |
| Factoring services <sup>(1)</sup> . . . . . | 583                    | 1.5                 | 2,630                | 4.3                 |
| Advisory services . . . . .                 | 0                      | 0.0                 | 2,463                | 4.1                 |
| <b>Total revenue</b> . . . . .              | <b><u>39,940</u></b>   | <b><u>100.0</u></b> | <b><u>60,808</u></b> | <b><u>100.0</u></b> |

*Note:*

(1) Revenue from factoring services includes factoring interest income and entrusted loans interest income.

The following table sets forth our revenue contribution by geographic location for the periods indicated:

|                                 | Year ended 31 December |                     |                      |                     |
|---------------------------------|------------------------|---------------------|----------------------|---------------------|
|                                 | 2016                   |                     | 2017                 |                     |
|                                 | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Fujian Province . . . . .       | 30,674                 | 76.8                | 49,655               | 81.7                |
| Jiangxi Province . . . . .      | 4,699                  | 11.8                | 3,600                | 5.9                 |
| Guangdong Province . . . . .    | 1,468                  | 3.7                 | 811                  | 1.3                 |
| Shanghai . . . . .              | 0                      | 0.0                 | 2,507                | 4.1                 |
| Others <sup>(1)</sup> . . . . . | 3,099                  | 7.7                 | 4,235                | 7.0                 |
| <b>Total revenue</b> . . . . .  | <b><u>39,940</u></b>   | <b><u>100.0</u></b> | <b><u>60,808</u></b> | <b><u>100.0</u></b> |

*Note:*

(1) Include Anhui Province, Shandong Province, Guizhou Province and other provinces.

### *Our Lease Portfolio*

As of 31 December 2016 and 2017, the net amount of our finance lease receivables was RMB449.2 million and RMB619.9 million, respectively. Our non-performing assets were RMB32.5 million and RMB14.6 million as of 31 December 2016 and 2017, respectively. For details of lease portfolio by industry, lease portfolio by exposure size, lease portfolio by security, lease portfolio by type of assets underlying the leases, and maturity profile, see “Business — Lease Portfolio” in this Prospectus.

## SUMMARY AND HIGHLIGHTS

The following table sets forth the breakdown of the finance lease receivables by exposure size as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | <i>RMB'000</i>    | %            | <i>RMB'000</i> | %            |
| Up to RMB1.0 million . . . . .                               | 25,400            | 5.7          | 24,236         | 3.9          |
| Over RMB1.0 million to RMB3.0 million (inclusive) . . . . .  | 35,675            | 7.9          | 48,482         | 7.8          |
| Over RMB3.0 million to RMB5.0 million (inclusive) . . . . .  | 67,018            | 14.9         | 38,470         | 6.2          |
| Over RMB5.0 million to RMB30.0 million (inclusive) . . . . . | 120,350           | 26.8         | 239,206        | 38.6         |
| Over RMB30.0 million <sup>(1)</sup> . . . . .                | 200,754           | 44.7         | 269,465        | 43.5         |
| <b>Net amount of finance lease receivables</b> . . . . .     | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

Note:

(1) The net amount of finance lease receivables over RMB30.0 million as of 31 December 2016 and 2017 related to one finance leasing agreement and three finance leasing agreements, respectively.

The following table sets forth our finance lease receivables by security as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | <i>RMB'000</i>    | %            | <i>RMB'000</i> | %            |
| Guaranteed leases . . . . .                              | 320,878           | 71.4         | 362,308        | 58.4         |
| Supplier-backed leases . . . . .                         | 74,891            | 16.7         | 22,913         | 3.7          |
| Collateral-backed leases with guarantee . . . . .        | 53,428            | 11.9         | 234,638        | 37.9         |
| <b>Net amount of finance lease receivables</b> . . . . . | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

The following is the maturity profile of our finance lease receivables as of the dates indicated:

|   | As of 31 December |                |
|---|-------------------|----------------|
|   | 2016              | 2017           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> |
| Neither overdue nor impaired . . . . .                                      | 372,061           | 600,742        |
| — Not later than 30 days (inclusive) . . . . .                              | 18,772            | 18,804         |
| — Later than 30 days and not later than 90 days (inclusive) . . . . .       | 20,104            | 26,444         |
| — Later than 90 days and not later than one year (inclusive) . . . . .      | 73,380            | 296,064        |
| — Later than one year and not later than two years (inclusive) . . . . .    | 239,300           | 114,159        |
| — Later than two years and not later than three years (inclusive) . . . . . | 19,746            | 118,209        |
| — Later than three years and not later than five years . . . . .            | 759               | 27,062         |
| Overdue but not impaired  |                   |                |
| — Overdue within 30 days (inclusive) . . . . .                              | 70                | 1,241          |
| — Overdue 30 to 90 days (inclusive) . . . . .                               | 40,403            | 2,966          |
| — Overdue above 90 days . . . . .   | 4,123             | 273            |
| Impaired . . . . .  | 32,540            | 14,637         |
| Less: Allowances for impairment losses . . . . .                            | (21,263)          | (19,374)       |
| <b>Carrying amount of finance lease receivables</b> . . . . .               | <b>427,934</b>    | <b>600,485</b> |

## SUMMARY AND HIGHLIGHTS

### *Our Leased Assets and Collateral*

In most cases, we seek to keep the funding we provide to our customers below 80.0% of the net value of the assets underlying the leases. Our total leased assets amounted to RMB721.2 million, RMB712.1 million and RMB701.2 million as of 31 December 2016 and 2017 and 30 April 2018, respectively. The table below sets forth our range of and aggregate coverage ratio, loan to value ratio, value to collateral for our outstanding finance lease receivables and range of the terms of our finance leasing agreements as of the dates indicated:

|  | As of 31 December           |                             | As of 30 April                            |
|--|-----------------------------|-----------------------------|---|
|  | 2016                        | 2017                        | 2018                                      |
| Range of coverage ratio of individual lease                            | 0.93 <sup>(3)</sup> –268.78 | 0.94 <sup>(3)</sup> –289.50 | 0.92 <sup>(3)</sup> –45.46 <sup>(4)</sup> |
| Aggregate coverage ratio <sup>(1)</sup> . . . . .                      | 1.74                        | 1.25                        | 1.27                                      |
| Loan to value ratio <sup>(2)</sup> . . . . .                           | 0.58                        | 0.80                        | 0.79                                      |
| Range of coverage ratio including<br>additional collateral . . . . .   | 0.93 <sup>(3)</sup> –268.78 | 0.94 <sup>(3)</sup> –289.50 | 0.92 <sup>(3)</sup> –45.46 <sup>(4)</sup> |
| Aggregate coverage ratio including<br>additional collateral . . . . .  | 1.89                        | 1.87                        | 1.90                                      |
| Loan to value ratio including<br>additional collateral . . . . .       | 0.53                        | 0.54                        | 0.53                                      |
| Value of additional collateral (RMB'000) .                             | 63,318                      | 351,413                     | 344,781                                   |
| Range of the terms of finance leasing<br>agreements (months) . . . . . | 6–60                        | 4–60                        | 6–60                                      |

*Notes:*

- (1) Our aggregate coverage ratio is calculated as the value of total leased assets divided by the outstanding finance lease receivables, netting off deposits from finance leasing customers, as of the year end.
- (2) Loan to value ratio is calculated as the outstanding finance lease receivables, netting off deposits from finance leasing customers, divided by the value of total leased assets as of the year end.
- (3) There were five, four and two finance leasing agreements as of 31 December 2016 and 2017 and 30 April 2018, respectively, for which the coverage ratio was below 1. We have obtained joint-liability guarantees from guarantors for these finance leasing agreements.
- (4) The high end of the range of coverage ratio as of 30 April 2018 decreased significantly compared to that as of 31 December 2016 and 2017 mainly because as of 31 December 2016 and 2017, there were certain finance leasing agreements close to their maturity with a relatively small outstanding balance while the net value of the underlying lease assets were relatively higher after depreciated with relevant assets' useful lives, which are longer than the lease terms.

### *Our Customers*

Our revenue from new agreements entered into with customers in the manufacturing industry accounted for 78.5% and 41.9% of our total revenue from new agreements for the years ended 31 December 2016 and 2017, respectively. We focus on providing financial solutions to such customers because their financial needs have generally been underserved in China's banking system, despite their rapid growth and their significant contribution to China's economic development. Revenue from our top five customers accounted for 60.2% and 47.1% of our total revenue for the years ended 31 December

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## SUMMARY AND HIGHLIGHTS

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2016 and 2017, respectively. Revenue from our largest customer, which was in the infrastructure industry, accounted for 39.7% and 26.0% of our total revenue for the years ended 31 December 2016 and 2017, respectively.

The following table sets forth our revenue contribution by customer type during the Track Record Period:

|                                | Year ended 31 December |              |               |              |
|--------------------------------|------------------------|--------------|---------------|--------------|
|                                | 2016                   |              | 2017          |              |
|                                | RMB'000                | %            | RMB'000       | %            |
| SMEs . . . . .                 | 20,590                 | 51.6         | 40,349        | 66.4         |
| Large enterprises . . . . .    | 15,862                 | 39.7         | 18,310        | 30.1         |
| Individuals . . . . .          | 3,488                  | 8.7          | 2,149         | 3.5          |
| <b>Total revenue . . . . .</b> | <b>39,940</b>          | <b>100.0</b> | <b>60,808</b> | <b>100.0</b> |

For the years ended 31 December 2016 and 2017, 39.7% and 26.0%, respectively, of our total revenue was attributable to a customer in the infrastructure industry. For the years ended 31 December 2016 and 2017, 36.4% and 34.9%, respectively, of our total revenue was attributable to our customers in the manufacturing industry. For details of the contribution of each industry to our total revenue, see “Business — Lease Portfolio — Lease Portfolio by Industry” in this Prospectus.

### *Our Pricing Policy*

For the years ended 31 December 2016 and 2017, the average effective interest rate per annum on our leases, or the interest income yield for finance leasing business, was 10.3% and 12.1%, respectively. We consider a number of factors in determining the interest rate that we charge on a lease, including the customer’s background and credit history, regardless whether the lease is secured or unsecured, the value of collateral, if any, the quality of the guarantee, the use of funds, and the term of the lease. We consider the similar factors in determining the interest rates that we charge for our factoring services, including the customer’s background and credit history, regardless whether the loans and receivables are secured or unsecured, the value of collateral, if any, the quality of the guarantee and the term of the factoring agreements.

We charged interests in installments and one-time management fees for our finance leasing and factoring services, which were both recognized as our interest income, using effective interest rate method, during the Track Record Period. We charged advisory fees for our value-added advisory services, which were recognized as our advisory fee income, during the Track Record Period. The management fees in relation to our financing and management services for finance leasing and factoring customers as well as the advisory fees in relation to our advisory services for advisory customers that we charge vary based on the actual services provided to individual customers in the respective industries. Such management fees and advisory fees will be negotiated before we enter into any agreement with the customers on a case-by-case basis. For details on our pricing policy, see “Business — Customers, Sales and Marketing — Pricing Policy” in this Prospectus.

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## SUMMARY AND HIGHLIGHTS

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### *Our Credit Risk Management*

Credit risk is the most significant risk inherent in our business. Credit risk arises from a customer's inability or unwillingness to repay its financial obligations owed to us in a timely manner or at all. We have adopted an assessment and approval process in order to effectively identify, manage and minimize credit risks in connection with each lease that we grant. In general, our credit risk management process begins with a lease application, and mainly consists of an initial review and due diligence processes on customers, guarantors and collateral, risk assessment reviews, approvals, post-grant reviews, and collections. Our credit evaluation procedures enable us to evaluate our customers' creditworthiness, which provides an important reference for our credit risk management. In order to better enforce our credit risk management system, we also implemented a risk responsibility scheme, where relevant personnel's bonuses are associated with the performance of their risk assessment. To address operational and legal risks, we have adopted and implemented a series of internal control policies to ensure our efficient operations and compliance with applicable laws and regulations. For details, see "Business — Risk Management" in this Prospectus.

### *Our Track Record*

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB39.9 million for the year ended 31 December 2016 to RMB60.8 million for the year ended 31 December 2017. Our profit for the year increased from RMB15.0 million for the year ended 31 December 2016 to RMB20.7 million for the year ended 31 December 2017.

## OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths are key factors contributing to our success:

- We are well poised to capitalize on business opportunities and market potential in our industry.
- We have a strong shareholder base, substantial financial strengths and a sound credit rating.
- We adopt sound and effective risk management practices.
- Our committed and experienced management team has in-depth industry knowledge that ensures the successful development of our business.

## OUR BUSINESS STRATEGIES

To achieve our objectives, we have formulated the following major business strategies:

- Continue to grow our finance leasing business by capitalizing on the growth opportunities of China's finance leasing industry;
- Further enlarge our capital base and diversify our funding sources;
- Expand our customer base in additional industries and sectors with growth potential and increase market penetration within our target industries through focused sales and marketing efforts;



## SUMMARY AND HIGHLIGHTS

- Expand our factoring services; and
- Enhance our corporate governance and strengthen our risk management efforts and internal controls.

### KEY FINANCIAL AND OPERATING DATA

The summary historical data of financial information set forth below have been extracted from, and should be read in conjunction with, our consolidated financial information, including the accompanying notes, set forth in the Accountants' Report in Appendix I to this Prospectus, as well as the information set forth in "Financial Information" in this Prospectus. Our financial information was prepared in accordance with HKFRSs.

#### *Summary Consolidated Statements of Profit or Loss*

|   | <b>Year ended 31 December</b> |                |
|---|-------------------------------|----------------|
|   | <b>2016</b>                   | <b>2017</b>    |
|   | <i>RMB'000</i>                | <i>RMB'000</i> |
| Interest income . . . . .               | 39,940                        | 58,345         |
| Advisory fee income . . . . .           | 0                             | 2,463          |
| <b>Revenue</b> . . . . .                | <b>39,940</b>                 | <b>60,808</b>  |
| Other net income . . . . .              | 2,669                         | 1,897          |
| Interest expenses . . . . .             | (16,169)                      | (18,688)       |
| Operating expenses . . . . .            | (7,522)                       | (16,047)       |
| Impairment losses charged . . . . .     | (130)                         | (562)          |
| <b>Profit before taxation</b> . . . . . | <b>18,788</b>                 | <b>27,408</b>  |
| Income tax expense . . . . .            | (3,826)                       | (6,719)        |
| <b>Profit for the year</b> . . . . .    | <b>14,962</b>                 | <b>20,689</b>  |

Our profit for the year increased by 38.3% from RMB15.0 million for the year ended 31 December 2016 to RMB20.7 million for the year ended 31 December 2017 mainly because our revenue increased from RMB39.9 million in 2016 to RMB60.8 million in 2017 as a result of the expansion of our finance leasing business. For details, see "Financial Information — Results of Operations" in this Prospectus.

#### *Selected Consolidated Statements of Financial Position*

|                                   | <b>As of 31 December</b> |                |
|-----------------------------------|--------------------------|----------------|
|                                   | <b>2016</b>              | <b>2017</b>    |
|                                   | <i>RMB'000</i>           | <i>RMB'000</i> |
| Non-current assets . . . . .      | 263,799                  | 264,513        |
| Current assets . . . . .          | 358,100                  | 393,270        |
| Current liabilities . . . . .     | 282,317                  | 277,332        |
| Net current assets . . . . .      | 75,783                   | 115,938        |
| Non-current liabilities . . . . . | 179,108                  | 197,979        |
| <b>Net assets</b> . . . . .       | <b>160,474</b>           | <b>182,472</b> |

## SUMMARY AND HIGHLIGHTS

Our net current assets increased from RMB75.8 million as of 31 December 2016 to RMB115.9 million as of 31 December 2017 mainly due to an increase in our finance lease receivables of RMB170.2 million as a result of the expansion of our finance leasing business. Our net assets increased from RMB160.5 million as of 31 December 2016 to RMB182.5 million as of 31 December 2017. For details, see “Financial Information — Liquidity and Capital Resources — Selected Items of the Consolidated Statements of Financial Position” in this Prospectus.

### *Summary Consolidated Statements of Cash Flows*

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2016                   | 2017           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> |
| Operating profit before changes in working capital . . . . .     | 32,529                 | 41,700         |
| Net cash generated from/(used in) operating activities . . . . . | 159,926                | (211,031)      |
| Net cash (used in)/generated from investing activities . . . . . | (2,633)                | 6,334          |
| Net cash (used in)/generated from financing activities . . . . . | (82)                   | 45,336         |
| Net increase/(decrease) in cash and cash equivalents . . . . .   | 157,211                | (159,361)      |
| Cash and cash equivalents at the beginning of the year . . . . . | 13,333                 | 170,544        |
| Cash and cash equivalents at the end of year . . . . .           | <u>170,544</u>         | <u>11,183</u>  |

Due to the capital-intensive nature of our finance leasing business, we record net cash outflows from operating activities when the growth of our lease portfolio is greater than that of the lease payments made by our customers. We recorded net operating cash outflow of RMB211.0 million for the year ended 31 December 2017 mainly due to: (i) an increase in finance lease receivables as a result of the expansion of our finance leasing business; and (ii) the withdrawal of other guaranteed deposits of RMB90.0 million paid by a potential customer for our factoring service. Our operating cash flows before working capital changes were RMB32.5 million and RMB41.7 million for the years ended 31 December 2016 and 2017, respectively, which was generally in line with our continuous increase in revenue during the Track Record Period. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows” in this Prospectus.

### *Key Operating Data and Financial Ratios*

|   | As of/For the year ended<br>31 December |          |
|---|---|----------|
|   | 2016                                    | 2017     |
|   | <i>(RMB'000, except for %)</i>          |          |
| Net amount of finance lease receivables . . . . .                       | 449,197                                 | 619,859  |
| Allowances for impairment losses on finance lease receivables . . . . . | (21,263)                                | (19,374) |
| Carrying amount of finance lease receivables . . . . .                  | 427,934                                 | 600,485  |
| Default ratio <sup>(1)</sup> . . . . .                                  | 7.2%                                    | 2.4%     |
| Allowance coverage ratio <sup>(2)</sup> . . . . .                       | 65.3%                                   | 132.4%   |
| Return on equity <sup>(3)</sup> . . . . .                               | 9.3%                                    | 11.3%    |
| Return on assets <sup>(4)</sup> . . . . .                               | 2.4%                                    | 3.1%     |
| Net profit margin <sup>(5)</sup> . . . . .                              | 37.5%                                   | 34.0%    |
| Debt to equity ratio <sup>(6)</sup> . . . . .                           | 0.7x                                    | 1.8x     |
| Gearing ratio <sup>(7)</sup> . . . . .                                  | 1.7x                                    | 1.9x     |
| Interest income yield for   |   |          |
| — Finance leasing business <sup>(8)</sup> . . . . .                     | 10.3%                                   | 12.1%    |
| — Factoring business <sup>(9)</sup> . . . . .                           | 23.5%                                   | 10.6%    |
| Interest expenses yield for   |   |          |
| — Finance leasing business <sup>(10)</sup> . . . . .                    | 5.5%                                    | 6.0%     |
| Net interest spread for   |   |          |
| — Finance leasing business <sup>(11)</sup> . . . . .                    | 4.8%                                    | 6.1%     |
| — Factoring business <sup>(12)</sup> . . . . .                          | 23.5%                                   | 10.6%    |
| Net interest margin <sup>(13)</sup> . . . . .                           | 6.2%                                    | 8.2%     |

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## SUMMARY AND HIGHLIGHTS

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*Notes:*

- (1) Default ratio represents the balance of overdue and impaired finance lease receivables divided by net amount of finance lease receivables. Default ratio indicates the quality of our lease portfolio.
- (2) Allowance coverage ratio represents the allowances for impairment losses on finance lease receivables divided by the balance of impaired finance lease receivables. Allowance coverage ratio indicates the level of allowances we set aside to cover probable loss in our lease portfolio.
- (3) Return on equity represents profit for the year divided by total equity as of the end of such year.
- (4) Return on assets represents profit for the year divided by total assets as of the end of such year.
- (5) Net profit margin represents profit for the year divided by revenue for the relevant year.
- (6) Debt to equity ratio represents total interest-bearing borrowings, less cash and cash equivalents, divided by total equity as of the end of a year.
- (7) Gearing ratio represents total interest-bearing borrowings divided by total equity as of the end of a year end.
- (8) Interest income yield for finance leasing business represents interest income from our finance leasing business divided by the average monthly balance of our finance lease receivables.
- (9) Interest income yield for factoring business represents interest income from our factoring business divided by the average monthly balance of our loans and receivables.
- (10) Interest expenses yield for finance leasing business represents interest expenses divided by the average monthly balance of our interest-bearing borrowings.
- (11) Net interest spread for finance leasing business represents the difference between the interest income yield for finance leasing business and the interest expenses yield for finance leasing business.
- (12) We utilized our own capital for factoring services and did not incur interest expenses for factoring services during the Track Record Period. Therefore, the net interest income equals to the interest income and the net interest spread equals to the interest income yield for factoring services.
- (13) Net interest margin is calculated by dividing net interest income by average monthly balance of the receivables related to our finance leasing services and factoring services and multiplied by 100%.

For details, see “Business — Lease Portfolio” and “Financial Information — Key Financial Ratios” in this Prospectus.

### OUR CONTROLLING SHAREHOLDERS

Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming will become a group of Controlling Shareholders of the Company upon the Listing. As of the Latest Practicable Date, Septwolves Holdings directly owned approximately 58.75% of the issued share capital of the Company. As Septwolves Holdings is an investment holding company owned as to 37.06% by Mr. Zhou Yongwei, 31.47% by Mr. Zhou Shaoxiong and 31.47% by Mr. Zhou Shaoming, each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming is deemed to control the exercise of approximately 58.75% of the voting power at the general meeting of the Company. Immediately following the completion of the Capitalization Issue and the Share Offer, assuming the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised, Septwolves Holdings will be directly interested in approximately 44.06% of the enlarged issued share capital of the Company, and each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming will be deemed to be interested in approximately 44.06% of the enlarged issued share

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## SUMMARY AND HIGHLIGHTS

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capital of the Company through Septwolves Holdings. Our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates. For details, see “Relationship with Controlling Shareholders” in this Prospectus.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business remained stable after the Track Record Period. During the four months ended 30 April 2018, we entered into 15 new finance leasing agreements, with a total finance lease value of RMB53.4 million, but we did not enter into any new factoring agreement. During the same period, we did not identify any additional non-performing assets. As of 30 April 2018, the range of coverage ratio of individual lease of such 15 new finance leasing agreements was from 0.94 to 2.15, and the range of coverage ratio including additional collateral was from 1.15 to 2.40.

For the four months ended 30 April 2018, our revenue amounted to RMB28.4 million. For the four months ended 30 April 2018, our interest expenses amounted to RMB8.5 million.

In light of our growing business scale, we expect that our bank and other borrowings will remain at similar or higher levels in 2018. We had interest-bearing borrowings of RMB340.0 million as of 30 April 2018, all of which will mature within one year. We are in the process of seeking additional facilities from various banks and we have obtained two letters of intent with credit facilities of up to RMB190.0 million from two state-owned banks, for the purpose of answering short-term financial needs such as repayment of interest-bearing borrowing that is in and/or out of our normal course of business, our Directors believe that we will not have difficulties in obtaining borrowings from banks in the future.

During the four months ended 30 April 2018, we received early repayments of the outstanding finance lease receivables from four customers in relation to six finance leasing agreements. As of 30 April 2018, such early repayments involved the net amount of finance lease receivables of RMB7.5 million. Such early repayments did not incur any loss. Our Directors confirmed that, since 31 December 2017 and up to the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects.

We recorded net current liabilities of RMB3.3 million as of 30 April 2018, while we recorded net current assets of RMB115.9 million as of 31 December 2017. Our net current liability position was mainly due to an increase in our total current liabilities. Our total current liabilities increased from RMB277.3 million as of 31 December 2017 to RMB431.4 million as of 30 April 2018 mainly as a result of the maturity of a long-term bank borrowing of RMB150.0 million within one year as of 30 April 2018. We believe that our net current liability position will not have any material impact on our operations. For further details, see “Financial Information — Liquidity and Capital Resources — Selected Items of the Consolidated Statements of Financial Position” in this Prospectus.

The financial information as of or for the four months ended 30 April 2018 as disclosed above was extracted from the unaudited condensed interim consolidated financial statements of the Group prepared by the Directors in accordance with HKAS 34 “Interim Financial Reporting,” which have been reviewed by KPMG, the reporting accountants of the Group, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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## SUMMARY AND HIGHLIGHTS

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On 14 May 2018, the General Office of MOFCOM issued the Notice on Matters about the Rearrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) (the “**New Notice**”), according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be delegated to CBIRC. Although the competent authority has changed, the relevant governing laws and regulations of the finance leasing industry are still in force in the PRC. During the Track Record Period, the Company had complied with the applicable PRC laws, rules and regulations in all material respects and we will take prompt actions once detailed guidance and rules are issued. For further details, see “Regulations — PRC Law and Regulations on Finance Leasing Enterprises — The Measures for Finance Leasing Enterprises” in this Prospectus. As of the Latest Practicable Date, we have not noticed any material changes to our finance leasing and factoring businesses as a result of the implementation of the New Notice.

### COMPLIANCE

We are subject to a series of regulations governing the activities of a foreign-funded finance leasing company, which include the Measures on Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (“the **Measures for Foreign Investment**”), the Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Examination, Approval and Administration of Foreign-funded 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), attached with Approval Guidance for Foreign-funded Finance Leasing Companies (外商投資融資租賃公司准入審批指引) and the Measures for Finance Leasing Enterprises (融資租賃企業監督管理辦法). The Measures for Foreign Investment was subsequently abolished on 22 February 2018. For details, see “Business — Licenses and Permits, Competent Authorities, Legal Proceedings and Compliance — Compliance” in this Prospectus.

We are advised by our PRC Legal Advisers that the relevant competent governmental authorities have confirmed that we had complied with the applicable PRC laws, rules and regulations in all material and substantial respects during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that there were no non-compliance incidents which were likely to have a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date. For details, see “Business — Licenses and Permits, Competent Authorities, Legal Proceedings and Compliance — Compliance” in this Prospectus.

### LISTING EXPENSES

The total amount of Listing expenses that will be borne by us in connection with the Share Offer, including underwriting commission, is estimated to be HK\$25.6 million (based on the mid-point of our indicative Offer Price range), of which HK\$10.3 million is expected to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining fees and expenses of HK\$15.3 million were, or are expected to be, charged to our profit or loss, of which HK\$7.1 million was charged for the year ended 31 December 2017, and HK\$8.2 million is expected to be charged upon Listing. The professional fees and other expenses related to the preparation of Listing subsequent to 31 December 2017 are the current estimate for reference only and the actual amount to be recognized is subject to adjustment based on the then changes in variables and assumptions.

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## SUMMARY AND HIGHLIGHTS

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### USE OF PROCEEDS

The net proceeds from the Share Offer are estimated to be approximately HK\$62.8 million, assuming a Offer Price of HK\$1.31 per Share (being the mid-point of the indicative Offer Price range), after deducting the underwriting commission and estimated total Listing expenses in the aggregate amount of approximately HK\$25.6 million paid and payable by us, assuming that the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised. We intend to use such net proceeds from the Share Offer for the purposes and in the amounts set forth below:

- approximately 80.0%, or approximately HK\$50.24 million, will be used to expand our finance leasing business;
- approximately 10.0%, or approximately HK\$6.28 million, will be used to expand our factoring business; and
- approximately 10.0%, or approximately HK\$6.28 million, will be used to provide funding for our working capital and other general corporate purposes.

For details, see “Statement of Business Objectives and Use of Proceeds” in this Prospectus.

### REASONS FOR LISTING

Due to the capital-intensive nature of the finance leasing business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding, ability to minimize the costs of funding, and ability to expand our capital base. During the Track Record Period, we utilized fixed-rate interest-bearing borrowings to finance our finance leasing business. In the case we obtain banking borrowings to finance our finance leasing business growth, our gearing ratio will rise, and additional interest cost will be incurred, by which we will be subject to interest rate risk. Because: (i) we do not intend to increase our short-term credit facilities to finance our mid- and long-term financial needs, including implementing our business strategy; (ii) in order to minimize our liquidity risk, we normally control net current liabilities within 30% of our net assets subject to our internal control measures of liquidity risk management; and (iii) it is not commercially viable for us to obtain long-term borrowings due to their higher interest rates, more strict application requirements and more time-consuming approval process, compared to short-term borrowings, we believe that to increase our share capital by way of the issuance of equity securities will: (i) improve our capital structure and gearing ratio; (ii) facilitate us to obtain long-term borrowings; (iii) minimize our liquidity risk without the need to constantly meet our repayment obligations with new borrowings or own funds; and (iv) better allocate our assets to further expand our business and maximize profitability. Seeking for equity financing is essential for our long-term financial needs, while short-term borrowings are normally used to satisfy our short-term financial needs. Through the Listing, not only will we be able to raise proceeds from the Share Offer to execute our growth strategies, but we will also gain access to the capital markets in future rounds of financing to fund further growth plans as and when necessary. We believe that raising capital through the issuance of equity or debt securities as a public company will involve relatively lower financing costs as compared with bank borrowings obtained by a private company. By continuing to enlarge our capital base, we will be able to grant more leases to our customers, which in turn will provide us with a more stable flow of income. We also believe that the Listing will enhance our

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## SUMMARY AND HIGHLIGHTS

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corporate profile, market reputation and brand awareness, which we believe will strengthen our customers' confidence in us, create more opportunities for us to collaborate with third-party credit rating companies as well as financial service providers, and enhance our overall bargaining power in negotiations with banks and other counterparties.

### SHARE OFFER STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Share Offer is completed and 67,500,000 Shares are issued and sold in the Share Offer; (ii) the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised; and (iii) 270,000,000 Shares are issued and outstanding upon completion of the Share Offer and Capitalization Issue.

|  | <u>Based on an Offer Price<br/>of HK\$1.20 per<br/>Offer Share</u> | <u>Based on an Offer Price<br/>of HK\$1.42 per<br/>Offer Share</u> |
|--|--|--|
| Market capitalization of our Shares . . . . .  | HK\$324.0 million  | HK\$383.4 million  |
| Unaudited pro forma adjusted consolidated net tangible<br>assets of our Group per Share <sup>(1)</sup> . . . . . | HK\$1.04   | HK\$1.09   |

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*Note:*

- (1) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" in this Prospectus. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.00 to RMB0.8359, the exchange rate set by the PBOC 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 the rate of any other rates at all.

### DIVIDEND

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects and capital requirements, as well as any other factors that we may consider relevant. Shareholders will be entitled to receive any dividends pro rata according to the Shares they hold, unless otherwise stipulated in the Articles of Association, after the completion of the Share Offer. Dividends may be paid only out of our distributable profits, as permitted under the relevant laws. No dividends have been declared or paid by us during the Track Record Period. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. For details, see "Financial Information — Dividend" in this Prospectus.

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## SUMMARY AND HIGHLIGHTS

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### RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include the following:

- Macro economy, market conditions and government policies in China could adversely affect our business.
- Our current customers are mainly SMEs and entrepreneurial individuals, which or who may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and, therefore, may present a higher default risk.
- We may not be able to effectively mitigate credit risk and maintain our asset quality.
- We are heavily exposed to liquidity risk.
- We may not be able to obtain sufficient funds to finance our operations or expansion plans.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in “Risk Factors” in this Prospectus in deciding whether to invest in our Shares.



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## DEFINITIONS

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*In this Prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.*

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|---|--|
| “Accountants’ Report”                   | our accountants’ report set out in Appendix I to this Prospectus   |
| “affiliate(s)”                          | any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)   |
| “AIC” or “SAIC”                         | Administration of Industry and Commerce* (工商管理管理機關) in the PRC or, where the context so requires, the State Administration for Industry and Commerce of the PRC (中華人民共和國工商管理總局) or its delegated authority at the provincial, municipal or other local level   |
| “Application Form(s)”                   | <b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer   |
| “Articles” or “Articles of Association” | the articles of association of the Company, conditionally adopted on 20 June 2018 (with effect from the Listing Date) and as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law” in this Prospectus |
| “associate(s)”                          | has the meaning ascribed thereto under the GEM Listing Rules   |
| “Board” or “Board of Directors”         | the board of Directors   |
| “Business Day(s)”                       | any day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong   |
| “BVI”                                   | the British Virgin Islands   |
| “Byleasing Capital”                     | Byleasing Capital Limited, a company incorporated in BVI with limited liability on 15 June 2017, which was directly wholly-owned by the Company as of the Latest Practicable Date  |
| “CAGR”                                  | compound annual growth rate  |

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## DEFINITIONS

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| “Capitalization Issue”                                       | the issue of 202,480,000 Shares to be made upon capitalization of an amount of HK\$2,024,800 standing to the credit of the share premium account of the Company as referred to in “Appendix IV — Statutory and General Information — Further Information about the Company — 3. Written Resolutions of Our Shareholders Passed on 20 June 2018” in this Prospectus                                       |
| “Cayman Companies Law” or “Companies Law”                    | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands  |
| “CBRC”   | China Banking Regulatory Commission (中國銀行業監督管理委員會)   |
| “CBIRC”  | the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which is a new department organ established on 21 March 2018 to combine and replace the functions and authorities of the previous CBRC and China Insurance Regulatory Commission (中國保險業監督管理委員會)   |
| “CCASS”  | the Central Clearing and Settlement System established and operated by HKSCC   |
| “CCASS Clearing Participant”                                 | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant   |
| “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 Participant”  | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant  |
| “Changjiang Corporate Finance” or “Sole Sponsor”             | Changjiang Corporate Finance (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 August 2011, a licensed corporation under the SFO permitted to carry on type 6 (advising on corporate finance) regulated activity, being the sole sponsor of the Share Offer  |
| “Changjiang Securities Brokerage,” “Sole Global Coordinator” | Changjiang Securities Brokerage (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 August 2011, a licensed corporation under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities, being the sole global coordinator of the Share Offer |

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## DEFINITIONS

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| “China” or “PRC”   | the People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong  |
| “Circular 7”   | the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (國家稅務總局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)  |
| “Circular 13”  | Circular of the State Administration of Foreign Exchange 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) promulgated by the SAFE on 28 February 2015 and effective from 1 June 2015  |
| “Circular 16”  | Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知)   |
| “Circular 19”  | Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)  |
| “Circular 37”  | Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Terms of Overseas Investment and Financing via Special Purpose Companies and Return Investment by Domestic Residents (關於境內居民通過特殊目的的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on 4 July 2014 and effective from the same day |
| “Circular 75”  | Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Return Investment via Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知)  |
| “close associate(s)”                                     | has the meaning ascribed thereto under the GEM Listing Rules  |
| “Companies Ordinance” or “Hong Kong Companies Ordinance” | the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time   |

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## DEFINITIONS

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| “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 or otherwise modified from time to time   |
| “Company”   | Byleasing Holdings Limited (百應租賃控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 5 June 2017  |
| “connected person(s)”   | has the meaning ascribed thereto under the GEM Listing Rules   |
| “Controlling Shareholder(s)”                                    | has the meaning ascribed thereto under the GEM Listing Rules and in case of the Company, means Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming   |
| “CSRC”  | the China Securities Regulatory Commission (中國證券監督管理委員會)   |
| “Deed of Indemnity”   | the deed of indemnity dated 20 June 2018 executed by our Controlling Shareholders in favor of the Company (for itself and as trustee for its subsidiaries) with particulars set out in “Appendix IV — Statutory and General Information — Other Information — 19. Estate Duty, Tax and Other Indemnity” in this Prospectus |
| “Deed of Non-competition”                                       | the deed of non-competition dated 20 June 2018 executed by our Controlling Shareholders in favor of the Company with particulars set out in “Relationship with Controlling Shareholders” in this Prospectus  |
| “Director(s)”   | the director(s) of the Company   |
| “Disposal Agreement”  | the disposal agreement entered into between Xiamen Byleasing and an Independent Third Party on 16 November 2017 in respect of the disposal of the Previous Tibet Subsidiary to such Independent Third Party  |
| “EIT”   | the PRC enterprise income tax  |
| “EIT Law”   | the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), enacted on 16 March 2007 and took effect on 1 January 2008, as amended from time to time  |
| “EIT Regulation”  | the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) promulgated by the NPC and became effective on 1 January 2008   |

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## DEFINITIONS

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| “Frost & Sullivan”                | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party, being a professional market research company engaged by the Company to prepare an industry report; the details of which are set out in “Industry Overview” in this Prospectus   |
| “Fujian” or “Fujian Province”     | Fujian Province, PRC  |
| “Fujian Septwolves Group”         | Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司), a company established in the PRC with limited liability on 18 January 2002 (its predecessor, Fujian Septwolves Group Company* (福建七匹狼集團公司) was first established in the PRC in February 1985), which was owned as to 37.82% by Mr. Zhou Yongwei, 31.09% by Mr. Zhou Shaoxiong and 31.09% by Mr. Zhou Shaoming as of the Latest Practicable Date  |
| “Fujian Septwolves Group Finance” | Fujian Septwolves Group Finance Co., Ltd.* (福建七匹狼集團財務有限公司), a company established in the PRC with limited liability on 26 March 2015, which was owned as to 65.0% by Fujian Septwolves Group and 35.0% by Fujian Septwolves Industry as of the Latest Practicable Date  |
| “Fujian Septwolves Industry”      | Fujian Septwolves Industry Co., Ltd.* (福建七匹狼實業股份有限公司), a company established in the PRC with limited liability on 23 July 2001, which is listed on the Shenzhen Stock Exchange (stock code: 002029). As of the Latest Practicable Date, Fujian Septwolves Industry was owned as to approximately 34.29% by Fujian Septwolves Group, approximately 8.63% by an independent third party and approximately 57.08% by other public shareholders |
| “GDP”                             | gross domestic product  |
| “GEM”                             | GEM of the Stock Exchange   |
| “GEM Listing Rules”               | the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified 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  |
| “GREEN Application Form(s)”       | the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider   |

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## DEFINITIONS

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| “Group,” “we” or “us”                 | the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, such subsidiaries and the business operated by them or their predecessors (as the case may be)  |
| “HDK Capital”                         | HDK Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017, which was directly owned as to 100% by Mr. Huang Dake, and one of our Shareholders as of the Latest Practicable Date  |
| “HKAS(s)”                             | Hong Kong Accounting Standards  |
| “HK eIPO White Form”                  | the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>  |
| “HK eIPO White Form Service Provider” | the <b>HK eIPO White Form</b> service provider designated by the Company, as specified on the designated website of <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>  |
| “HKFRS(s)”                            | Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by HKICPA  |
| “HKICPA”                              | 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  |
| “Holdco Group Member Companies”       | Fujian Septwolves Group, the subsidiaries and associated companies (which Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, hold not less than 20.0% equity interest) of Fujian Septwolves Group and companies which Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, hold less than 20.0% equity interest but Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, is or are the largest shareholder(s), each of which has been approved by or registered with CBRC Fujian Bureau |
| “Hong Kong” or “HK”                   | the Hong Kong Special Administrative Region of the PRC  |
| “Hong Kong Branch Share Registrar”    | Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company   |
| “Hong Kong dollar(s)” or “HK\$”       | Hong Kong dollars, the lawful currency of Hong Kong   |

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## DEFINITIONS

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| “Hong Kong Stock Exchange” or “Stock Exchange” | The Stock Exchange of Hong Kong Limited   |
| “Independent Third Party(ies)”                 | an individual(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/ are not a connected person(s) of the Company within the meaning of the GEM Listing Rules   |
| “Industry Report”                              | the industry report prepared by Frost & Sullivan on the finance leasing industry in China   |
| “Jingong Machinery”                            | Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司), a company established in the PRC with limited liability on 27 August 1993, which was owned as to 50.0% by Mr. Ke Jinding and 50.0% by Mr. Ke Shuiyuan as of the Latest Practicable Date   |
| “Jinjiang City” or “Jinjiang”                  | Jinjiang City (晉江市), Fujian Province, PRC   |
| “Joint Bookrunners”                            | Aristo Securities Limited and ChaoShang Securities Limited  |
| “Joint Lead Managers”                          | Bluemount Securities Limited, Cinda International Capital Limited, JS Securities Limited, China Industrial Securities International Capital Limited and ChaoShang Securities Limited  |
| “Latest Practicable Date”                      | 22 June 2018, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication  |
| “Listing”                                      | the listing of the Shares on GEM  |
| “Listing Date”                                 | the date, expected to be on Wednesday, 18 July 2018, on which dealings in the Shares first commence on GEM  |
| “Listing Division”                             | the Listing Division of the Stock Exchange  |
| “m <sup>2</sup> ”                              | square meters   |
| “M&A Rules”                                    | the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and re-issued by MOFCOM on 22 June 2009 |
| “Main Board”                                   | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange   |

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## DEFINITIONS

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| “MARX Capital”                              | MARX Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017, which was directly owned as to 48.0% by Mr. Li Zhenyu (李振宇先生), 32.0% by Ms. Xu Lingmeng (徐凌夢女士) and 20.0% by Ms. Huang Yushu (黃榆舒女士), and one of our Shareholders as of the Latest Practicable Date              |
| “Memorandum” or “Memorandum of Association” | the memorandum of association of the Company conditionally adopted on 20 June 2018 (with effect from the Listing Date) and as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law” in this Prospectus |
| “MOF”                                       | the Ministry of Finance of the PRC (中華人民共和國財政部)   |
| “MOFCOM”                                    | the Ministry of Commerce of the PRC (中華人民共和國商務部)  |
| “Mr. Huang Dake”                            | Mr. Huang Dake (黃大柯先生), an executive Director and our general manager, and a shareholder holding 100% interest in HDK Capital, which will in turn hold 8.44% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised)   |
| “Mr. Huang Qinggang”                        | Mr. Huang Qinggang (黃清港先生), a shareholder holding 80.0% interest in Shengshi Capital, which will in turn hold 5.63% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), and Ms. Huang Baoyue’s brother and Mr. Chen Xinwei’s brother-in-law                   |
| “Mr. Ke Jinding”                            | Mr. Ke Jinding (柯金鏞先生), a non-executive Director and a shareholder holding 40.0% interest in Zijiang Capital, which will in turn hold 14.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), the son of Mr. Ke Zijiang and the brother of Mr. Ke Shuiyuan |
| “Mr. Ke Shuiyuan”                           | Mr. Ke Shuiyuan (柯水源先生), a shareholder holding 40.0% interest in Zijiang Capital, which will in turn hold 14.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), the son of Mr. Ke Zijiang and the brother of Mr. Ke Jinding                              |
| “Mr. Ke Zijiang”                            | Mr. Ke Zijiang (柯子江先生), a shareholder holding 20.0% interest in Zijiang Capital, which will in turn hold 14.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), and the father of Mr. Ke Jinding and Mr. Ke Shuiyuan                                      |



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| “Mr. Li Zhenyu”      | Mr. Li Zhenyu (李振宇先生), a shareholder holding 48.0% interest in MARX Capital, which will in turn hold 2.81% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised)   |
| “Mr. Zhou Shaoming”  | Mr. Zhou Shaoming (周少明先生), a shareholder holding 31.47% interest in Septwolves Holdings, which will in turn hold 44.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), and the brother of Mr. Zhou Yongwei and Mr. Zhou Shaoxiong  |
| “Mr. Zhou Shaoxiong” | Mr. Zhou Shaoxiong (周少雄先生), a shareholder holding approximately 31.47% interest in Septwolves Holdings, which will in turn hold 44.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), and the brother of Mr. Zhou Yongwei and Mr. Zhou Shaoming  |
| “Mr. Zhou Shiyuan”   | Mr. Zhou Shiyuan (周士淵), an executive Director and the chairman of the Board, and the son of Mr. Zhou Yongwei  |
| “Mr. Zhou Yongwei”   | Mr. Zhou Yongwei (周永偉先生) (formerly known as Zhou Lianqi (周連期)), a shareholder holding 37.06% interest in Septwolves Holdings, which will in turn hold 44.06% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), the brother of Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, Ms. Chen Pengling’s spouse and the father of Mr. Zhou Shiyuan |
| “Ms. Chen Pengling”  | Ms. Chen Pengling (陳鵬玲女士), Mr. Zhou Yongwei’s spouse and mother of Mr. Zhou Shiyuan   |
| “Ms. Huang Baoyue”   | Ms. Huang Baoyue (黃寶月女士), a shareholder holding 20.0% interest in Shengshi Capital, which will in turn hold 5.63% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised), and Mr. Huang Qinggang’s sister and Mr. Chen Xinwei’s spouse  |
| “Ms. Huang Yushu”    | Ms. Huang Yushu (黃榆舒女士), a shareholder holding 20.0% interest in MARX Capital, which will in turn hold 2.81% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised)   |
| “Ms. Xu Lingmeng”    | Ms. Xu Lingmeng (徐凌夢女士), a shareholder holding 32.0% interest in MARX Capital, which will in turn hold 2.81% interest in the Company upon the Listing (assuming no Offer Size Adjustment Option is exercised)   |

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## DEFINITIONS

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| “NDRC”                           | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)   |
| “NPC”                            | the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)   |
| “Offer Price”                    | the final price per Offer Share (excluding brokerage of 1%, the Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%), at which the Offer Shares are to be offered and sold under the Share Offer, to be determined in the manner as further described in “Structure and Conditions of the Share Offer” in this Prospectus  |
| “Offer Share(s)”                 | 67,500,000 Shares being offered by the Company for subscription at the Offer Price under the Share Offer, together with where relevant, additional new Shares that may be allotted pursuant to the exercise of the Offer Size Adjustment Option set forth in “Structure and Conditions of the Share Offer” in this Prospectus   |
| “Offer Size Adjustment Option”   | the option granted by the Company to the Sole Global Coordinator to require the Company to issue and allot up to 10,125,000 additional new Shares representing up to 15.0% of the Offer Shares initially available, at the Offer Price, subject to the terms and conditions set out in the Underwriting Agreements, the particulars of which are set out in “Structure and Conditions of the Share Offer — Offer Size Adjustment Option” in this Prospectus |
| “PBOC”                           | the People’s Bank of China (中國人民銀行)   |
| “Placing”                        | the conditional placing of the Placing Shares by the Underwriters for and on behalf of the Company for cash at the Offer Price, as further described in “Structure and Conditions of the Share Offer — The Placing” in this Prospectus  |
| “Placing Share(s)”               | the initial 60,750,000 Shares being offered by the Company for subscription under the Placing, subject to the reallocation and the Offer Size Adjustment Option set forth in “Structure and Conditions of the Share Offer” in this Prospectus.  |
| “Placing Underwriter(s)”         | the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares   |
| “Placing Underwriting Agreement” | the underwriting agreement expected to be entered into on or around 11 July 2018 by, among others, the Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Placing Underwriter(s) relating to the Placing  |

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## DEFINITIONS

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| “PRC Company Law”                     | Company Law of the People’s Republic of China (中華人民共和國公司法) that was revised in 2013   |
| “PRC Government”                      | the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them   |
| “PRC Legal Advisers”                  | Beijing DHH Law Firm, our PRC legal advisers  |
| “Previous Tibet Subsidiary”           | Doilungdêqên Baiyun Consulting Co., Ltd.* (堆龍德慶百運諮詢有限公司), a former wholly-owned subsidiary of Xiamen Byleasing, incorporated on 17 July 2014 in Doilungdêqên District of Tibet, which was disposed of by Xiamen Byleasing to an Independent Third Party on 16 November 2017 |
| “Price Determination Agreement”       | the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price   |
| “Price Determination Date”            | the date, expected to be on or around Wednesday, 11 July 2018 or such later date as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), on which the Offer Price is fixed for the purposes of the Share Offer |
| “Prospectus”                          | this prospectus being issued in connection with the Share Offer   |
| “Public Offer”                        | the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this Prospectus and the Application Forms   |
| “Public Offer Share(s)”               | the 6,750,000 Shares (subject to reallocation) initially offered by the Company for subscription in the Public Offer, as described in “Structure and Conditions of the Share Offer” in this Prospectus  |
| “Public Offer Underwriter(s)”         | the underwriter(s) of the Public Offer, whose name(s) are set out in “Underwriting — Underwriters” in this Prospectus   |
| “Public Offer Underwriting Agreement” | the underwriting agreement dated 29 June 2018 entered into among the Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Public Offer Underwriters relating to the Public Offer  |
| “Regulation S”                        | Regulation S under the U.S. Securities Act  |
| “Renminbi” or “RMB”                   | the lawful currency of the PRC  |

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## DEFINITIONS

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| “Reorganization”                             | the reorganization of the corporate structure of our Group in preparation for the Listing, further details of which are described in “History, Reorganization and Corporate Structure — Reorganization” in this Prospectus   |
| “SAFE”                                       | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)   |
| “SAT”  | the 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   |
| “Septwolves Asset Management”                | Xiamen Septwolves Asset Management Co., Ltd.* (廈門七匹狼資產管理有限公司), a company incorporated in the PRC with limited liability on 24 January 2007, which was owned as to 90.0% by Septwolves Group Holding and 10.0% by Fujian Septwolves Group as of the Latest Practicable Date   |
| “Septwolves Financial Holding”               | Hong Kong Septwolves Group Financial Holding Co., Limited (香港七匹狼金融控股集團有限公司), a company incorporated in Hong Kong with limited liability on 8 January 2015, which was directly wholly-owned by Byleasing Capital and indirectly wholly-owned by the Company as of the Latest Practicable Date                               |
| “Septwolves Group Holding”                   | Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司), a company incorporated in the PRC with limited liability on 25 February 2000, which was owned as to 82.86% by Fujian Septwolves Group, 5.72% by Mr. Zhou Yongwei, 5.71% by Mr. Zhou Shaoxiong and 5.71% by Mr. Zhou Shaoming as of the Latest Practicable Date        |
| “Septwolves Holdings”                        | Septwolves Holdings Limited, a company incorporated in BVI with limited liability on 26 May 2017, which was directly owned as to 37.06% by Mr. Zhou Yongwei, 31.47% by Mr. Zhou Shaoxiong and 31.47% by Mr. Zhou Shaoming as of the Latest Practicable Date, and one of our Shareholders as of the Latest Practicable Date |
| “SFO”  | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time   |
| “Share(s)”                                   | ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company, which are to be traded in Hong Kong dollars and listed on GEM   |

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## DEFINITIONS

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| “Shareholder(s)”                    | holder(s) of the Share(s)  |
| “Share Offer”                       | the Public Offer and the Placing   |
| “Share Option Scheme”               | the share option scheme conditionally adopted by the Company on 20 June 2018, the principal terms of which are set out in “Appendix IV — Statutory and General Information — Share Option Scheme” in this Prospectus   |
| “Shengshi Capital”                  | Shengshi Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017, which was directly owned as to 80.0% by Mr. Huang Qinggang and 20.0% by Ms. Huang Baoyue as of the Latest Practicable Date, and one of our Shareholders as of the Latest Practicable Date |
| “State Council”                     | the State Council of the PRC (中華人民共和國國務院)  |
| “subsidiary(ies)”                   | has the meaning ascribed thereto in the GEM Listing Rules  |
| “Substantial Shareholder(s)”        | has the meaning ascribed thereto in the GEM Listing Rules  |
| “Takeovers Code”                    | the Codes on Takeovers and Mergers and Share Buy-backs, as amended from time to time   |
| “Tibet”                             | Tibet Autonomous Region (西藏自治區)  |
| “Track Record Period”               | the periods comprising the two financial years ended 31 December 2017  |
| “Underwriters”                      | the Public Offer Underwriter(s) and the Placing Underwriter(s)   |
| “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   |
| “US\$” or “U.S. dollar(s)”          | United States dollar(s), the lawful currency of the United States  |
| “U.S. Securities Act”               | the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder  |
| “VAT”                               | the PRC value-added tax  |
| “WFOE”                              | the wholly foreign-owned enterprise  |
| “ <b>WHITE</b> Application Form(s)” | the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)   |

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## DEFINITIONS

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| “Xiamen City” or “Xiamen”            | Xiamen City (廈門市), Fujian Province, PRC  |
| “Xiamen Byleasing”                   | Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司) (formerly known as Xiamen Baiying Finance Leasing Co., Ltd.* (廈門市百應融資租賃有限公司) and Xiamen Baiying Finance Leasing Co., Ltd.* (廈門百應融資租賃股份有限公司)), a company established in the PRC with limited liability on 9 March 2010, which was directly wholly-owned by Septwolves Financial Holding and indirectly wholly-owned by the Company as of the Latest Practicable Date |
| “Xiamen Jiuheng”                     | Xiamen Jiuheng Investment Consulting Co., Ltd.* (廈門久恒投資諮詢有限公司), a company established in the PRC with limited liability on 10 November 2009, which was owned as to 97.73% by Mr. Huang Dake and 2.27% by Ms. Chen Chunruo (陳春若女士) as of the Latest Practicable Date  |
| “Xiamen Shengshi”                    | Xiamen Shengshi Equity Investment Co., Ltd.* (廈門市盛實股權投資有限公司), a company established in the PRC with limited liability on 9 February 2010, which was owned as to 80.0% by Mr. Huang Qinggang and 20.0% by Ms. Huang Baoyue as of the Latest Practicable Date  |
| “Xiamen Zijiang”                     | Xiamen Zijiang Investment Co., Ltd.* (廈門子江投資有限公司), a company established in the PRC with limited liability on 21 April 2011, which was owned as to 40.0% by Mr. Ke Jinding (柯金鏞先生), 40.0% by Mr. Ke Shuiyuan (柯水源先生) and 20.0% by Mr. Ke Zijiang (柯子江先生) as of the Latest Practicable Date   |
| “ <b>YELLOW</b> Application Form(s)” | the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS  |
| “Zijiang Capital”                    | Zijiang Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017, which was directly owned as to 40.0% by Mr. Ke Shuiyuan (柯水源先生), 40.0% by Mr. Ke Jinding (柯金鏞先生) and 20.0% by Mr. Ke Zijiang (柯子江先生) as of the Latest Practicable Date, and one of our Shareholders as of the Latest Practicable Date  |
| “%”                                  | per cent   |

\* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

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## GLOSSARY

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*This glossary contains explanations of terms used in this Prospectus in connection with us and our business. Some of these terminologies and their meanings may not correspond to those standard meanings and usage adopted in the industry.*

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| “Belt and Road Initiative”                       | a development strategy and framework, proposed by the PRC Government that focuses on the connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based Silk Road Economic Belt (絲綢之路經濟帶) and the oceangoing 21st-Century Maritime Silk Road (21世紀海上絲綢之路) |
| “CBIRC-regulated financial leasing company(ies)” | finance leasing company(ies) regulated by the CBIRC in China  |
| “direct finance leasing”                         | transactions in which the lessor purchases the designated equipment as instructed by the lessee, and then directly leases the equipment to the lessee   |
| “factoring”                                      | transactions in which the creditors assign their accounts receivable to us and we provide services such as financing, account management and accounts receivable collection to our customers  |
| “finance lease receivables”                      | the lease receivables to be collected by the lessor under the finance leasing agreements  |
| “five-category asset quality classification”     | an asset quality classification system modified based on the traditional CBRC model to more accurately reflect the characteristics of the finance leasing industry  |
| “Industry 4.0”                                   | an initiative for high-end smart manufacturing proposed by the German government in and described as the fourth industrial revolution, characterized by intelligent, customized and flexible value-added technologies and systems   |
| “Large enterprise”                               | a large enterprise under the definition of Circular of the National Statistical Office on the Distribution of Large and Medium-sized Micro-enterprises in Statistics 《統計上大中小微型企業劃分辦法》   |
| “Made in China 2025”                             | a ten-year guideline and the equivalent of Industry 4.0 proposed by the PRC Government in a circular issued by the State Council on 8 May 2015, to encourage the development and transition of China’s manufacturing industry towards high-end smart manufacturing  |

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## GLOSSARY

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| “micro-enterprise(s)”                           | micro-enterprise(s) as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) promulgated by the National Bureau of Statistics, the MOF, the Ministry of Industry and Information Technology and the NDRC in June 2011. For example, in respect of the retail business, a micro-enterprise refers to an entity with fewer than ten employees or annual revenue of less than RMB1.0 million |
| “MOFCOM-regulated finance leasing company(ies)” | finance leasing company(ies) regulated by the MOFCOM in China  |
| “non-performing assets”                         | assets which are categorized as substandard, doubtful or loss according to our five-category asset quality classification  |
| “sale-leaseback”                                | transactions in which the lessee sells its own equipment to the lessor, and then leases such equipment from the lessor   |
| “SME(s)”  | small and medium-sized enterprises under the definition of Circular of the National Statistical Office on the Distribution of Large and Medium-sized Micro-enterprises in Statistics 《統計上大中小微型企業劃分辦法》  |



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## FORWARD-LOOKING STATEMENTS

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We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- any changes in the regulatory and operating conditions in the industry and the markets in which we operate;
- our objectives, business and operating strategies and our ability to implement such strategies;
- future developments, trends, conditions and the competitive environment in the industry and the markets in which we operate or into which we intend to expand;
- our expansion plan;
- financial market developments;
- our financial condition and performance;
- our ability to control our credit risks and other risks inherent to our business;
- our future debt levels and capital needs;
- changes in the general economic and political conditions in China;
- our ability to reduce costs;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and the markets in which we operate;
- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in profit margins;
- overall market conditions and exchange rates; and
- other statements in this Prospectus that are not historical facts.

In some cases, we use the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “might,” “ought to,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in “Summary and Highlights,” “Risk Factors,” “Business,” “Financial Information” and other sections of this Prospectus

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## **FORWARD-LOOKING STATEMENTS**

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in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. 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 contained in this Prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider each of the risks described below and all of the other information contained in this Prospectus before deciding to invest in the Offer Shares. On the occurrence of any of the following risks, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our Shares could decline, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

***Macro economy, market conditions and government policies in China could adversely affect our business.***

Our business, financial condition and results of operations are largely affected by the macroeconomic and market conditions in China. We provide our customers with finance leasing, factoring and advisory services and rely on domestic demand for these services to achieve revenue growth. The macroeconomic downturn and adverse market conditions, such as fluctuations in exchange rates, inflation, decrease in available financing and slowdown in the industry growth, could materially and adversely affect our business, financial condition and results of operations in various aspects, including but not limited to the following:

- the demand of our customers for our services could decrease, resulting in a decline in our revenue;
- default risks of our customers or counterparties may increase;
- our financing cost may increase due to the limited access to financing channels and capital markets, and therefore our financing capabilities may be weakened; and
- we may not be able to execute our business plans and strategies effectively.

In addition, our business, financial condition and results of operations are subject to the evolving macroeconomic policies in China, including the monetary, currency and industry policies. If we fail to promptly adjust our business model to respond to such policy changes, our business, financial condition and results of operations may be adversely affected.

***We may not be able to effectively mitigate credit risk and maintain our asset quality.***

The sustainability of our business and future growth depends largely on our ability to effectively manage our credit risk and maintain the quality of our finance lease receivables portfolio and loans and receivables portfolio. As such, any deterioration in our asset quality or impairment in our finance lease receivables and loans and receivables could materially and adversely affect our business, financial condition and results of operations. Our non-performing assets were RMB32.5 million and RMB14.6 million as of 31 December 2016 and 2017, respectively. We may not be able to effectively control the level of our non-performing assets in our current finance lease receivables portfolio and loans and receivables portfolio or effectively control the level of new non-performing assets in the future. The amount of our non-performing assets may increase in the future due to: (i) the expansion of our finance leasing business; or (ii) deterioration in the quality of our finance lease receivables portfolio and loans and receivables portfolio.

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## RISK FACTORS

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The net amount of our finance lease receivables increased from RMB449.2 million as of 31 December 2016 to RMB619.9 million as of 31 December 2017. The quality of our finance lease receivables portfolio and loans and receivables portfolio may deteriorate for a variety of reasons, including factors beyond our control, such as a slowdown in China's economic growth or the global economy, a recurrence of a global credit crisis or other adverse macroeconomic trends, which may cause operational, financial and liquidity difficulties for our customers, thereby affecting their ability to make timely lease payments. If the level of our non-performing assets increases, our business, financial condition and results of operations may be materially and adversely affected.

***We are heavily exposed to liquidity risk.***

Our business operations are primarily funded by interest-bearing borrowings, Shareholders' equity and cash flows from our operations. We expect that we will continue to do so in the future. The substantial amount of our interest-bearing borrowings and high gearing ratio could materially and adversely affect our liquidity. For example, the substantial amount of our interest-bearing borrowings and high gearing ratio could:

- require us to allocate a higher percentage of our cash flows from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flows to fund our operations and growth;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

As of 31 December 2016 and 2017, the balance of our interest-bearing borrowings amounted to RMB280.0 million and RMB340.0 million, respectively, and our gearing ratio was 1.7 times and 1.9 times, respectively. Liquidity risk arises when we encounter difficulties in meeting our obligations associated with our financial liabilities. There can be no assurance that we will obtain the required borrowings in the future or that we would be able to arrange for re-financing the borrowings when they become due, repay our borrowings or raise the necessary funding to finance our business growth. The letters of intent with credit facilities we obtain from banks do not guarantee that we will obtain the borrowings at the agreed amount, or at all. Our liquidity risk management measures to manage any potential liquidity mismatch between our current assets and current liabilities may not be efficient and effective. If any liquidity difficulty occurs, our business, financial condition and results of operations could be materially and adversely affected.

***We may not be able to obtain sufficient funds to finance our operations or expansion plans.***

Our business is largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding and the ability to expand our capital base. We primarily fund our operations and expansion through interest-bearing borrowings, Shareholders' equity and cash flows from our operations. During the Track Record Period, we obtained borrowings from a limited number of banks. And as of 30 April 2018, we

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## RISK FACTORS

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had used up all our credit facilities. If any of them ceases lending to us, we may not be able to secure alternative sources of financing on a favorable term or at all. In this case, we will not have sufficient funds to finance our operations and expansion plans.

If there are changes in international and/or domestic macroeconomic conditions and policies, negative sentiment in the capital and credit markets in which we source our financing could lead to circumstances where commercial banks and other financial institutions are less willing to provide financing or the cost of such financing is unreasonably high. If any of these events were to occur, we may face a liquidity gap and may need to use other means, such as selling our assets at an inappropriate time, to meet our funding needs. If we were unable to obtain sufficient financing from banks or other financing sources on commercially acceptable terms or at all, our business, financial condition and results of operations could be materially and adversely affected.

***Our high customer concentration may subject us to fluctuations or declines in revenue.***

Revenue from our top five customers accounted for 60.2% and 47.1% of our total revenue for the years ended 31 December 2016 and 2017, respectively. Revenue from our largest customer accounted for 39.7% and 26.0% of our total revenue for the years ended 31 December 2016 and 2017, respectively. For details, see “Business — Customers, Sales and Marketing — Our Customers” in this Prospectus. In addition, for the years ended 31 December 2016 and 2017, 39.7% and 26.0%, respectively, of our total revenue was attributable to a customer in the infrastructure industry, and 36.4% and 34.9%, respectively, of our total revenue was attributable to our customers in the manufacturing industry. We cannot assure you that we will be able to maintain or improve our relationships with these customers or other key customers, or that we will be able to continue to provide finance leasing services to these customers at current levels or at all. If our major customers cease to do business with us and we are unable to find alternative customers with comparable financing needs, our revenue may fluctuate or decline as a result.

***We lack business diversification and our future income is more susceptible to fluctuations than that of a more diversified financial service company.***

We are primarily dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals, and substantially all of our revenue during the Track Record Period consisted of the interests that we received on the leases that we extended to our customers. Revenue generated from our finance leasing business accounted for 98.5% and 91.6% of our total revenue for the years ended 31 December 2016 and 2017, respectively. Under such circumstances, if we are unable to maintain and grow revenue from our current business, diversify our product offerings or develop additional sources of revenue, our future revenue and earnings may not continue to grow.

In addition, our business mainly depends on our customers in a few industries, such as the infrastructure industry and manufacturing industry. Revenue generated from customers in the abovementioned industries accounted for 76.1% and 60.9% of our total revenue for the years ended 31 December 2016 and 2017, respectively. As such, we are heavily exposed to risks relating to the financial performance of such customers. Factors that may adversely affect the ability of our customers to meet their repayment plans include, among other things, their inability to implement their business plans or to meet their sales targets, any downturn in the markets or industries in which they operate, or any declines in general economic conditions. For example, according to Frost & Sullivan, certain sectors in China’s manufacturing industry experienced overcapacity in 2015 and 2016. There is no guarantee that the financial condition of our customers will remain healthy in the future, that our customers will continue to fulfill their repayment obligations on time, or that any of our customers will not ultimately default on

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## RISK FACTORS

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their leases. As a result, we cannot assure you that our profitability or the demand for our finance leasing services from our customers will be maintained at historical levels. Moreover, our lack of business diversification could inhibit opportunities for our future development and business prospects.

*Our current customers are mainly SMEs and entrepreneurial individuals, which or who may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and, therefore, may present a higher default risk.*

There are inherent risks associated with our business, including credit risk, which arises when a customer is unable or unwilling to meet its financial obligations to make timely payments. During the Track Record Period, we generated substantially all of our revenue from our finance leasing business. Our customers are mainly SMEs and entrepreneurial individuals, which accounted for 60.3% and 69.9% of our total revenue for the years ended 31 December 2016 and 2017, respectively, and they are more likely to 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. Therefore, these customers are often more sensitive to changes in business cycle, and their financial positions are heavily influenced by the market. SMEs and entrepreneurial individuals generally have less financial resources in terms of capital or borrowing capacity than larger enterprises, and may be more vulnerable to a downturn in the economy. Compared to larger businesses, SMEs and entrepreneurial individuals may have insufficient or ineffective accounting controls and lack the expertise and resources to prepare accurate financial statements on which we rely to evaluate their creditworthiness. Customers who are SMEs and entrepreneurial individuals may expose us to greater credit risks than larger enterprises, such as larger-capitalized state-owned entities or private companies with longer operating histories. Various factors may affect these customers' ability to meet their repayment plans with us. Such factors include the failure to implement their business plans, a downturn in their industries and negative economic conditions. Accordingly, SMEs and entrepreneurial individuals may pose increased default risks to us, compared to larger enterprises.

*There is a possibility that we cannot enforce the guarantees or our rights to the underlying collateral or assets to our leases.*

In the event of any material default on lease payment terms, we are entitled to enforce our security rights over any collateral or guarantee and/or repossess and dispose of the assets underlying our leases to realize their value. We classify our leases into three categories, namely guaranteed leases, supplier-backed leases and collateral-backed leases. For details, see "Business — Lease Portfolio — Lease Portfolio by Security" in this Prospectus. For leases backed by guarantors and equipment suppliers, in the case where the guarantors or the equipment suppliers refuse to fulfill their obligation, we can only initiate legal proceedings to claim our security rights. In China, the procedures for liquidating or otherwise realizing the collateral value of tangible assets and the procedures for enforcing our rights to a guarantee or to repossess and dispose of the assets underlying our leases are usually time-consuming, and in practice it may be difficult to realize such collateral value, enforce the guarantee or repossess and dispose of assets underlying our leases. Although we could apply to a PRC court in accordance with the PRC Civil Procedure Law (中華人民共和國民事訴訟法) for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying our leases upon default, it is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, our rights to any collateral securing our leases may be subordinated to other claims such as employment

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## RISK FACTORS

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benefit claims. If we are unable to bring an enforcement action with respect to any collateral or any guarantee related to any assets underlying our leases to be repossessed and disposed of on a timely basis, it may have a material adverse effect on our business, financial condition or results of operations.

***The value of collateral or guarantees securing our leases and the assets underlying our leases that are disposed of upon repossession may be inadequate to cover related finance lease receivables.***

During the Track Record Period, most of our leases were secured by guarantees. To further manage the risks of our portfolio, we usually request the lessees to provide collateral for the leases, or the equipment suppliers to provide guarantees on the leases. We specifically review and reach an agreement on the collateral arrangements with each lessee on a case-by-case basis, mainly considering the industry in which the lessee operates and the lessee's ability to make timely payments. For a finance leasing agreement guaranteed by the equipment supplier, we mainly consider the supplier's business operation scale, the number of finance leasing agreements it guaranteed, and its repurchasing ability in the event of a default. In our standard finance leasing agreement, we include a provision specifying that the ownership of the asset underlying the lease will be transferred from the lessee to us upon the commencement of the lease. We then register such asset to show the change of ownership in national accredited registration systems, such as the Credit Reference Center of the PBOC\* (中國人民銀行徵信中心). In the event of any material default on payment terms, we are contractually entitled to enforce our security rights over any collateral or guarantee and/or repossess and dispose of the assets underlying our leases to realize their value. Our aggregate coverage ratio including additional collateral decreased from 1.89 as of 31 December 2016 to 1.87 as of 31 December 2017. The value of our collateral and/or assets underlying our leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition of guarantors could significantly decrease the amounts we may recover under such guarantees.

Our policies require periodic internal re-evaluation of collateral and assets underlying our leases to be disposed of for impairment testing purposes. If the value of such collateral or assets underlying our leases to be disposed of proves to be inadequate to cover the related finance lease receivables, we may need to obtain additional security from our customers or other sources, and there can be no assurance that we would be able to do so. Declines in the value of collateral or assets underlying our leases or our inability to obtain additional security may result in impairments and require us to make additional allowances for impairment losses for finance lease receivables, which may, in turn, materially and adversely affect our business, financial condition and results of operations. There is also no assurance that we could liquidate or otherwise monetize our underlying assets or collateral to cover any shortfall in terms of repayment default.

***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 leasing agreements and other security arrangements. These disputes may lead to various forms of protests against us or legal or other proceedings and may result in substantial costs, damages to our brand and reputation and a diversion of resources and management's attention. In addition, we may have disagreements with regulatory bodies in the course of our operations which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities or otherwise disrupt our business operations. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings

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in the future. Furthermore, we endeavor to structure our business in a tax efficient manner. If any of our arrangements is successfully challenged by the relevant tax authorities, we may incur additional tax liabilities, which could adversely affect our business, financial condition or results of operations. In addition, from time to time, our Directors and senior management may be parties to litigation or other legal proceedings. Even though we may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business. For details, see “Business — Licenses and Permits, Competent Authorities, Legal Proceedings and Compliance — Legal Proceedings” in this Prospectus.

***We may fail to realize return from our investment.***

During the Track Record Period, we invested in several wealth management products. The average daily balance of such products for the years ended 31 December 2016 and 2017 amounted to RMB7.8 million and RMB5.8 million, respectively. The performance of our investment relies heavily on our investment judgements and decisions based on our assessment of current and future market conditions. We cannot assure that our investment will be profitable in the future. If we fail to evaluate investment products properly or to effectively minimize losses while capturing gains, or our forecasts do not conform to actual changes in the market conditions, our investment may not achieve the investment returns we anticipate or we may even suffer material losses, any of which could materially and adversely affect our business, financial conditions or results of operations.

***We had net current liability position as of 30 April 2018.***

As of 30 April 2018, we had net current liabilities of RMB3.3 million. For details, see “Financial Information — Liquidity and Capital Resources — Selected Items of the Consolidated Statements of Financial Position” in this Prospectus. We may experience net current liabilities in the future. Having significant net current liabilities could adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on commercially acceptable terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

***We may not be able to service our debts.***

Our bank borrowing agreements contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- transfer of material assets without the banks’ prior approval;
- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or change of controlling shareholder(s) without the banks’ prior approval;
- seeking additional financing from third parties for the underlying assets without the banks’ prior approval; and
- failure to meet certain financial indicators set out in our bank borrowing agreements.



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There can be no assurance that we will be able to comply with all the requirements or covenants under our bank borrowing agreements or other material contracts entered into in our ordinary course of business, or that we will be able to obtain any waiver if we fail to comply with them.

If we fail to comply with any of the requirements of our bank borrowing arrangements, or are unable to generate sufficient cash flows from our business operations, the disposal of the underlying assets of our leases, or other business activities, or if we are unable to obtain further financing on favorable terms or at all to meet or repay our debts when due, the banks may be entitled to accelerate the maturity of the bank borrowings or foreclose on collateral underlying such bank borrowings, which would consequently materially and adversely affect our liquidity, financial condition and our ability to obtain future financing.

***Our market share could be negatively affected by changes and fluctuations in the banking and financial industry.***

SMEs and entrepreneurial individuals are generally underserved by the banking industry in China because they typically lack an adequate track record or suitable collateral to obtain sizable lines of credit. This has created opportunities for us to develop and expand our business. However, new trends in the banking industry or the applicable regulatory requirements may alleviate the high transaction costs or reduce the required collateral and public information generally associated with bank financing to SMEs and entrepreneurial individuals in China. Such trends may also make businesses with SMEs and entrepreneurial individuals more attractive to banks. In the event that commercial banks begin to compete with us, for example, by granting loans to SMEs and entrepreneurial individuals on an unsecured basis or requiring a lower level of credit guarantee in return for higher risk-based interest rates, we may experience greater competition, less demand for our financing services, hence a smaller market share. Moreover, direct competition with our cooperating banks will also undermine our relationship with them.

***Our business is subject to geographical concentration risk.***

Our business is concentrated in Fujian Province. For the years ended 31 December 2016 and 2017, 76.8% and 81.7% of our total revenue was originated from Fujian Province, respectively. A significant economic downturn or changes in local policies applicable to our business in Fujian Province may undermine the financial condition of our customers and their ability to meet their repayment obligations. In addition, due to the geographical concentration of our current customers, an economic downturn ultimately affects our ability to collect our finance lease receivables. If any of these developments were to occur, our business, financial condition and results of operations may be materially and adversely affected.

***We are exposed to risks relating to our factoring business.***

We have been providing factoring services since January 2016. For the years ended 31 December 2016 and 2017, our revenue from factoring services was RMB0.6 million and RMB2.6 million, respectively, accounting for 1.5% and 4.3% of our total revenue of the corresponding periods. We are exposed to risks relating to our factoring business. For example, if the creditor-debtor relationship underlying a factoring agreement is not genuine, or if such relationship is illegal, the factoring agreement which we enter into with our customer may be deemed invalid. In addition, if the title of the accounts receivable assigned to us has been transferred to a third party, pledged or entrusted or is

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otherwise subject to other encumbrances, we may be unable to exercise our rights in full and may be forced to make impairment provision or write off the loans and receivables. If we encounter difficulties in exercising our rights relating to the accounts receivable, we may need to negotiate with relevant stakeholders, or initiate litigation or other legal proceedings, which may result in additional costs. If any of the above circumstances were to occur, our business, financial condition and results of operations may be adversely affected.

In addition, the requirements in China regarding commercial factoring business activities are constantly evolving and the local practice may differ from the regulations. There can be no assurance that we will be able to satisfy such regulatory requirements and as a result we may be unable to retain or renew any existing or additional licenses, permits or approvals in the future. Failure to do so may materially and adversely affect our business, financial condition and results of operations.

***We operate in an increasingly competitive industry.***

The financial service industry is an increasingly competitive industry, and we cannot assure you that we will be able to sustain our competitive advantage or effectively implement our business strategies. Our competitors comprise mainly CBIRC-regulated financial leasing companies, MOFCOM-regulated finance leasing companies, independent leasing companies and other financial service companies that operate on a similar scale with a similar target customer base to ours. China's finance leasing industry is an emerging sector that has grown rapidly since 2012. Some of our competitors may have greater operating and financial resources and access to capital at lower costs than us. We may not always be able to compete successfully with such competitors, which could materially and adversely affect our business, financial condition and results of operations.

***Our allowances for impairment losses may not be adequate to cover actual losses, and any increases in our provision for finance lease receivables and loans and receivables would cause our net profit to decrease.***

We make allowances for impairment losses on our finance lease receivables and loans and receivables in accordance with HKFRSs. Our allowances for impairment losses on finance lease receivables amounted to RMB21.3 million and RMB19.4 million as of 31 December 2016 and 2017, respectively, representing 4.7% and 3.1% of our net amount of finance lease receivables as of the same dates. Our allowances for impairment losses on our loans and receivables amounted to RMB0.1 million and RMB0.5 million as of 31 December 2016 and 2017, respectively, representing 1.5% and 2.6% of our loans and receivables as of the same dates. As our provision under HKFRSs requires significant judgment and estimates, our allowances for impairment losses on finance lease receivables and loans and receivables may not always be adequate to cover credit losses in our business operations. Our allowances for impairment losses may prove to be inadequate if adverse changes occur in China's economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional allowances for impairment losses on finance lease receivables and loans and receivables, which could significantly reduce our profit. For details, see "Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy" in this Prospectus.

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*There is no guarantee that we may be able to effectively transfer our financing costs to our customers.*

We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings. Accordingly, changes in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability. An increase in interest rates, or the perception that such increase may occur, could adversely affect our growth and our ability to obtain borrowings at favorable interest rates, maximize our profit and originate new leases. Due to the fact that we charge most of our customers fixed interest rates in the finance leasing agreements rather than floating interest rates, we may not be able to effectively transfer the increase in our financing costs to our customers. If we experience an increase in the interest rates of our borrowings, and cannot increase the interest rates we charge our customers by the same amount, our profitability will be adversely affected.

*Fluctuations in equipment prices may adversely affect our operations and business.*

Rapid increases in equipment prices may reduce overall demand. If our potential customers decide not to purchase equipment due to the increased price, they would not need our finance leasing services, and our ability to generate new finance leasing business will be adversely affected. 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 any asset underlying our leases may be lower than the price at which we acquire it. In the event that we have to sell the equipment underlying the leases to recover the finance lease receivables, but are only able to do so at values substantially below the purchase price, there may be a material adverse effect on our business, financial condition and results of operations.

*There is no guarantee that we can maintain rapid growth in the future.*

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB39.9 million for the year ended 31 December 2016 to RMB60.8 million for the year ended 31 December 2017. We may not be able to continue to grow in the future if we are not able to expand our service offerings to attract new customers or improve our marketing strategies. Our ability to maintain business growth is highly dependent on various factors beyond our control, including the economic growth, interest rates, developments of the financial and finance leasing industries, as well as changes in laws, regulations and rules applicable to the finance leasing industry in China. Any unfavorable change in the above one or more factors may prevent us from maintaining our growth rate.

During the Track Record Period, we received government grants and enjoyed beneficial tax treatment. The purposes of the government grants we received were to granting financial assistance to SMEs and encouraging capital injection. We received government grants of RMB70,000 and RMB232,970 for the years ended 31 December 2016 and 2017, respectively. We also enjoyed beneficial tax treatment due to the location of our Previous Tibet Subsidiary. However, we cannot assure that we will continue to receive or enjoy the same or similar government subsidies and/or beneficial tax treatment as the relevant government policies applicable to us may change over time. For example, we disposed of the Previous Tibet Subsidiary on 16 November 2017 and no longer enjoy beneficial tax treatment for business entities registered in Tibet.

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*Our inability to attract, retain or secure key management for our operations could hinder our continuing growth and success.*

We depend on the continuing service of our senior management team and other key employees for our success. We are led by a team of highly experienced professionals who collectively have an average experience of approximately ten years in the banking, financing and investment industries, especially in the areas of risk management, finance leasing and marketing. Our executive Directors, namely Mr. Zhou Shiyuan (周士淵先生), Mr. Chen Xinwei (陳欣慰先生) and Dr. Huang Dake (黃大柯博士), and our senior management, namely Dr. Huang Dake, Mr. Zhang Zhaowei (張兆偉先生), Mr. Deng Huaxin (鄧華新先生) and Ms. Xu Jianxia (許建霞女士), play vital roles in our operations. For details of our key management, see “Directors and Senior Management” in this Prospectus. However, we cannot assure you that any of our key management will not voluntarily terminate his or her employment with us or leave his or her position due to reasons beyond our control. In addition, the loss of service of any of our key management, in particular our executive Directors, 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 management within a reasonable period of time or with others of equivalent expertise and experience, which may severely disrupt our business operations.

Our continued success also depends on our ability to attract and retain key 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, such as personnel from our sales and marketing, risk management and asset management departments. We may also need to offer superior compensation and other benefits to attract and retain key personnel, and therefore cannot assure you that our compensation and benefit payments will not increase unpredictably or at a greater rate than our revenue. Our failure to attract and retain key personnel and any increase in relevant costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and our business growth, and may also have a material adverse effect on our business, financial condition and results of operations.

*We may record net cash outflows from operating activities from time to time.*

Our finance leasing business is capital-intensive and involves substantial cash outflows in our ordinary course of business. Due to the nature of our business, when the growth of our lease portfolio is greater than that of the lease payments made by our customers, we record net cash outflows from operating activities. We may have liquidity risk if we do not have sufficient funds to meet our liabilities as they fall due. Such risk may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. For the year ended 31 December 2017, our net cash outflows from operating activities were RMB211.0 million. The cashflow mismatch in relation to our net cash outflows may adversely affect our business expansion, restrict our ability to repay our interest-bearing borrowings and limit our working capital. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows — Net cash flows (used in)/generated from operating activities” in this Prospectus. We cannot assure you that we will not record negative cash flows from operating activities in the future, in which case our working capital may be limited and our financial condition and liquidity may be materially and adversely affected.

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***The application of HKFRS 9 and its amendments in the future may affect the classification and measurement of our assets and liabilities, especially the provision of finance lease receivables.***

The application of HKFRS 9 and its amendments in the future would affect the amounts reported in respect of our financial assets and liabilities, especially the provision of finance lease receivables. 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 will take effect on 1 January 2018 and replace the information related with classification, measurement and derecognizing of certain assets and liabilities under HKAS 39. The application of HKFRS 9 may have an impact on the provision of finance lease receivables, therefore resulting in substantial changes in the amounts reported in respect of our assets and liabilities. Based on assessments undertaken to 31 December 2017, the total estimated adjustment (net of tax) of the adoption of HKFRS 9 on the opening balance of our equity as of 1 January 2018 was a decrease of RMB1.3 million, resulting from an increase of RMB1.8 million related to allowances of impairment losses, offsetting by an increase of RMB0.5 million related to deferred tax assets. An estimation of the effect on the amounts reported of our assets and liabilities brought by HKFRS 9 was disclosed in Note 30 to the Accountants' Report in Appendix I to this Prospectus.

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

Our risk management systems and internal control policies may not be effective in mitigating our exposure to all types of risks, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behavior and past events. As such, we may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than those indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, we may not be able to obtain all necessary information for accessing the credit risks of our customers due to the less advanced credit reporting system in China than in developed countries. As such, 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. Furthermore, as we enter new industry sectors or develop additional product and service offerings, we may not be in a position to adequately identify and predict future risk exposures.

We rely on our project managers of both the sales and marketing department and the risk management department to conduct due diligence in respect of our customers and to obtain and verify the information necessary for credit evaluations. For details, see "Business — Risk Management" in this Prospectus. Inadequacy of information may not only result in additional efforts and costs, but also undermine the effectiveness of our customer due diligence. 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. A failure to effectively measure and limit the credit risk associated with our finance lease receivables portfolio and loans and receivables portfolio could have a material adverse effect on our business, financial condition and results of operations. In addition, we may not be able to detect our customers' suspicious or illegal transactions, such as money laundering activities, and we may suffer financial and/or reputational damage as a result.

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Management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of our risk management procedures or any failure to identify applicable risks may have a material adverse effect on our business, financial condition and results of operations.

***Our deferred tax assets may not be recovered.***

As of 31 December 2017, our deferred tax assets amounted to RMB5.5 million, representing 0.8% of our total assets. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, as those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings will be accurate due to factors beyond our control, such as general economic conditions or negative development of regulatory environment, in which case we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

***We may experience disruptions to our information technology systems.***

Our business operations are dependent on the ability of our information technology systems to accurately process a large number of transactions and information in a timely manner. The proper function 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. We have established our own internal back-up systems to carry on principal functions in the event of system failures. However, there can be no assurance that our operations will not be materially disrupted if any of our systems fails due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could materially and adversely affect our business, financial condition and results of operations.

***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 unauthorized 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 and could subject us to financial loss and sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems and 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, it is not always possible to detect and prevent fraud or other misconduct and 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.

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

The licensing requirements within China's finance leasing industry are constantly evolving and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in China. For details, see "Regulatory Overview" in this Prospectus. There can be no assurance that we will be able to satisfy such regulatory requirements and as a result we may be unable to retain or renew any existing or additional licenses, permits or approvals in the future. In addition, we are subject to a series of regulatory restrictions or limitations involving a foreign-funded finance leasing company, such as the minimum total assets, registered capital and risk asset ratio. We may not be able to ensure our compliance with these restrictions or limitations if there are any changes in the relevant laws and regulations governing the activities of foreign-funded finance leasing companies. Failure to do so may materially and adversely affect our business, financial condition and results of operations.

Uncertainties and changes in the PRC's legal framework for finance leasing and factoring businesses could also materially and adversely affect our business. On 14 May 2018, the General Office of MOFCOM issued the Notice on Matters about the Rearrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) (the "New Notice"), according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be delegated to CBIRC. Detailed implementing measures of the New Notice have not been promulgated. In the event that other regulatory policies changes or stricter rules are promulgated and implemented, we will be required to comply with further requirements and adjust our business accordingly, and this may have a material adverse effect on our business, financial condition and results of operations.

### RISKS RELATING TO DOING BUSINESS IN CHINA

*We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.*

A majority of our operations and assets were located in China, and all of our revenue was derived from our business in China during the Track Record Period. Accordingly, our financial condition and results of operations are, to a significant degree, subject to the economic, political, social and legal conditions in China. China's economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. We believe the PRC Government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC Government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reform policies, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any negative changes in the political, economic or social conditions in China may have a material adverse effect on our present and future business operations.

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*Any slowdown in China's economy may affect the industry in which we operate, as well as the industries in which our customers operate.*

Substantially all of our revenue was derived from our finance leasing business during the Track Record Period. We rely exclusively on domestic demand to achieve growth in our revenue. Such demand is materially affected by industrial development and the overall economic growth in China, as well as policy support for our customers' industries and for our financial services. Any deterioration of these industries in China resulting from a global economic downturn or the PRC Government's macroeconomic measures affecting these industries may have a material adverse impact on our business, financial condition and results of operations. Furthermore, any deterioration in the financial condition of our customers in these industries or any industry-specific difficulties encountered by these customers could affect our business, such as the deterioration of the quality of our existing finance lease receivables and our ability to generate new leases, thereby materially and adversely affecting our business, financial condition and results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on China's economy. Although there are signs of recovery in the global and China's economies, there can be no assurance that any such recovery is sustainable. As a result of global economic cycles, we cannot assure you that China's economy will grow in a sustained or steady manner. Any slowdown or recession in China's economy may affect our ability to secure new leases and may increase the default ratio on our existing leases and our ability to obtain sufficient financing, which may in turn have a material adverse effect on our business, financial condition and results of operations.

*We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our global income.*

Pursuant to the EIT Law, which came into effect on 1 January 2008, an enterprise established outside of China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform EIT rate of 25% on its global income. The Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) defines "de facto management body" as the organization body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On 22 April 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (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) ("**Circular 82**"), as amended on 29 January 2014, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or



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senior management reside within China. Further to Circular 82, the SAT issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulations (境外註冊中資控股居民企業所得稅管理辦法(試行)) (“**Bulletin 45**”), which took effect on 1 September 2011 and were last amended on 28 June 2016 and took effect on 1 October 2016, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 and its following amendments provide procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial condition and results of operations may be materially and adversely affected.

***You may be subject to PRC income tax on dividends from us or on any gain realized on the sale or other disposition of our Shares under PRC law.***

Under the EIT Law, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within China payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

As all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of our investors’ investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

***We rely on dividends paid by Xiamen Byleasing for our cash needs, and any limitation on the ability of Xiamen Byleasing to pay dividends to us could have a material adverse effect on our ability to conduct our business.***

We conduct all of our business through Xiamen Byleasing, our PRC subsidiary. Therefore, we rely on the dividends received from Xiamen Byleasing to pay dividends to our Shareholders. Currently, PRC regulations permit the payment of dividends only out of distributable profits determined in accordance with the accounting standards and regulations in China, which differ in many aspects from generally

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accepted accounting principles in other jurisdictions. Xiamen Byleasing is required to allocate certain percentages of any accumulated profits after tax each year to its statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if Xiamen Byleasing incurs debt on its own or enters into certain agreements in the future, the instruments governing the debt or such other agreements may restrict its ability to pay dividends or make other distributions to the Company. Therefore, these restrictions on the availability and usage of our major source of funding may materially and adversely affect our ability to pay dividends to our Shareholders.

***The PRC Government's control over currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.***

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Share Offer, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC subsidiary to obtain debt or equity financing in foreign currencies.

The existing foreign regulations allow us, following completion of the Share Offer, to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC Government will continue to adopt this policy going forward. The PRC Government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

***Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on our PRC subsidiary's ability to pay dividends or make distributions to us and our ability to increase investment in our PRC subsidiary.***

The SAFE promulgated Circular 37 in July 2014. Pursuant to Circular 37, PRC residents must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with the SAFE when there is a significant change to the registered SPV, such as changes of its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual

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resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular 13, the aforesaid foreign exchange registration has been directly reviewed and handled by banks since 1 June 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of Xiamen Byleasing, our PRC subsidiary, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant rules. However, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future. Moreover, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37.

***Current PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Share Offer to grant loans or additional capital contributions to our PRC subsidiary.***

Any loans or capital contributions that we, as an offshore entity, make to our PRC subsidiary, including those from the net proceeds of the Share Offer, are subject to PRC regulations. For example, any overseas loans to our PRC subsidiary cannot exceed the difference between the total amount of investment that our PRC subsidiary is approved to make under the relevant PRC laws and the amount of its registered capital. Such loans must also be registered or filed on record. Furthermore, capital contributions we may make to our PRC subsidiary must be filed for registration with MOFCOM or its local counterparts. We cannot assure you that we will be able to obtain such registrations and approvals or to complete such filing procedures on a timely basis, or at all, with respect to future loans or capital contributions that we may make to our PRC subsidiary. If we fail to receive such registrations or approvals, or to complete such filing procedures, our ability to use the proceeds of the Share Offer and to fund our operations may be negatively affected, which would in turn materially and adversely affect our liquidity and ability to expand our business.

In addition, pursuant to Circular 19 promulgated on 30 March 2015 by SAFE which became effective on 1 June 2015, foreign-invested enterprises shall be allowed to settle foreign exchange capitals on a discretionary basis. Furthermore, where the foreign-invested enterprises engaged in equity investment in the PRC, it shall follow the regulations on reinvestment in the territory of PRC. Circular 19 unlocks the restriction on foreign exchange capital settlement, but it is still uncertain whether it is practicable and may adversely affect our ability to expand our business.

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

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand

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## RISK FACTORS

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in the local markets. From 1994 to July 2005, the official exchange rates for the conversion of the Renminbi to the U.S. dollar was generally stable. In July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. The current policy permits the Renminbi to fluctuate within a regulated band against a basket of foreign currencies. In general, the Renminbi has depreciated since the end of 2015 from an average of RMB6.45 per U.S. dollar in December 2015 to an average of RMB6.58 per U.S. dollar in June 2016, and then to an average of RMB6.92 per U.S. dollar in December 2016. Subsequently the Renminbi has appreciated since the start of 2017 from an average of RMB6.89 per U.S. dollar in January 2017 to an average of RMB6.59 per U.S. dollar in December 2017. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuations of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

All of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may in the future adversely affect the value of our net assets and earnings. In particular, distributions to our Shareholders are made in Hong Kong dollars. Any unfavorable movement in the exchange rates of the Renminbi against the Hong Kong dollar may adversely affect the value of our distribution. In addition, any unfavorable movement in the exchange rates of the Renminbi against other foreign currencies may also lead to an increase in our costs. For details of the impact of exchange rate fluctuations and our business operations, see “Financial Information — Quantitative and Qualitative Disclosures about Market Risk — Market Risk — Currency risk” in this Prospectus.

***Uncertainties with respect to the PRC legal system could limit the legal protection available to our Shareholders.***

The PRC legal system has inherent uncertainties that could limit the legal protection available to our Shareholders. As all of our business operations are in China, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and because of the limited volume of published decisions, their implementation and interpretation involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the legal protection available to our Shareholders under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and diversion of resources and management attention.

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## RISK FACTORS

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*You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our executive Directors or senior management residing in China.*

Substantially all of our assets are located in China and all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on 14 July 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (“Arrangement”). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

*Inflation in China could negatively affect our profitability and growth.*

Economic growth in China has been accompanied by periods of high inflation in the past. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such measures could inhibit economic activities and lead to a slowdown of economic growth in China, both of which could materially adversely affect our business, financial condition and results of operations. High inflation in the future may cause the PRC Government to once again impose controls on credit and/or price of commodities, or to take other actions, which may have a negative impact on our business, financial condition and results of operations.

*Negative publicity regarding certain illegal finance leasing practices in China may indirectly affect our business.*

Negative publicity regarding certain illegal finance leasing practices in China could harm the public perception of our industry. If the public associates the finance leasing industry with abusive illegal financial practices, we may face a decrease in demand for finance leasing services. Damage to the industry’s reputation could also lead to increased scrutiny from the government or the tightening of regulations, which may have a material adverse effect on our business.

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*PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.*

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (反壟斷法), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (“**Security Review Rules**”), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating our income, revoking our PRC subsidiary’s business and operating licenses, requiring us to restructure or unwind the relevant ownership structure or business operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

### **RISKS RELATING TO THE SHARE OFFER**

*The Share Offer is subject to potential termination of the Underwriting Agreements.*

Prospective investors of the Offer Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in “Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination” in this Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of government or orders of any courts, labor disputes, strikes, calamity, crisis, lock-outs, fire, explosion, flood, civil commotion, acts of war, acts of God or acts of terrorism. Should the Sole Global Coordinator exercise its rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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## RISK FACTORS

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*There has been no prior market for the Shares, and their liquidity and market price following the Listing may be volatile.*

Prior to the Listing, there has been no public market for the Shares. The Offer Price was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Listing. In addition, following the Listing, the market price of our Shares are subject to potential irrational market reaction that may adversely affect Fujian-based listed issuers on the Stock Exchange, given the impact on such issuers' share price arising from adverse news articles and/or reports published by short sellers on alleged fraudulent business activities committed by other Fujian-based companies. Furthermore, there can be no guarantee that: (i) an active or liquid trading market for the Shares will develop; or (ii) if such a trading market does develop, it will be sustained following the completion of the Listing; or (iii) the market price of the Shares will not decline below the Offer Price. The trading volume and market price of the Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our revenue, earnings and cash flows;
- strategic alliances or acquisitions;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in investors' perception of us and the investment environment generally;
- the liquidity of the market for our Shares; and
- general economic and other factors.

In addition, the trading market for the Shares will be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade the Shares or publish negative opinions about us, the market price of the Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of the Shares to decline.

Furthermore, GEM and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the trading volume and market price of the Shares.

*Future sales, or market perception of sales, of a substantial number of the Shares by existing Shareholders in the public market could affect the market price of our Shares.*

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuance may occur.

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## RISK FACTORS

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Currently, our Shares held by our Controlling Shareholders are subject to certain lock-up undertakings, the details of which are set out in “Underwriting — Underwriting Arrangements and Expenses — Undertakings pursuant to the Public Offer Underwriting Agreement” in this Prospectus. However, there is no assurance that following the expiration of the lock-up period, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the prevailing market price of the Shares.

Moreover, future sales, or perceived sales, of substantial amounts of our Shares or other securities relating to our Shares, including as part of any future offerings, could materially and adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favorable time and price.

***Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of other Shareholders who subscribe for Shares in the Share Offer.***

Immediately after the completion of the Share Offer, our Controlling Shareholders will directly and indirectly own an aggregate of 44.06% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Group, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Group or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

***We have significant discretion as to how we will use the net proceeds of the Share Offer, with which you may not necessarily agree.***

Our management may spend the net proceeds from the Share Offer in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see “Statement of Business Objectives and Use of Proceeds” in this Prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, as to how we will use the net proceeds from the Share Offer.

***Potential investors will experience immediate and substantial dilution as a result of the Share Offer and could experience dilution as a result of future equity financings.***

Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when potential investors purchase the Shares in the Share Offer. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the completion of the Share Offer, potential investors would receive less than the amount they paid for their Shares.



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## RISK FACTORS

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We may raise additional funds to finance the future expansion of our existing operations or future acquisitions by way of issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, in which case the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

***There is no guarantee that the Company will declare dividends in the future.***

A declaration of dividends is proposed by our Board to the Shareholders' general meeting for approval and the amount of any dividends will depend on various factors, including our results of operations, financial condition, future prospects and other factors which our Board may deem relevant. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy, and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

***You may experience difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands and Cayman Islands law is different from the laws of Hong Kong and other jurisdictions and may not provide the same protections to minority Shareholders.***

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that our minority Shareholders, including you, may have different protection from what you would otherwise have under the laws of other jurisdictions. For details, see "Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law" in this Prospectus.

***You may not be able to bring actions on the basis of violations of the GEM Listing Rules.***

Although we will be subject to the GEM Listing Rules, which do not have the force of law, upon the Listing, the Shareholders will not be able to bring actions on the basis of violations of the GEM Listing Rules and must rely on the Stock Exchange to enforce the GEM Listing Rules. Furthermore, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share buy-backs in Hong Kong. As such, you may not be able to bring actions on the basis of violations of the GEM Listing Rules.

***Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.***

This Prospectus contains certain forward-looking statements and information relating to us 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 materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the ongoing disclosure obligations of the GEM Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the

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## RISK FACTORS

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forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

***Certain facts and statistics in this Prospectus relating to China's economy and the industry in which we operate are derived from official government publications and the Industry Report, which have not been independently verified by us.***

This Prospectus contains information relating to China's economy and the industry in which we operate. The information and statistics contained in this Prospectus have been derived partly from publicly available government and official sources as well as the Industry Report. 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 or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us and no representation is given as to their correctness or accuracy. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such information and statistics.

***You should read this entire Prospectus carefully and should not consider or rely on any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information in this Prospectus.***

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Share Offer, in addition to marketing materials published by us in compliance with the GEM Listing Rules. Such press and media coverage may include references to certain information that does not appear in this Prospectus or information that is inaccurate. We have not authorized any such information about us contained in such unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this Prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this Prospectus and should not rely on any of the information in press articles or other media coverage in making any decision as to whether or not to purchase the Offer Shares.

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

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In preparation for the Share Offer, we have sought and have been granted the following waivers from the Stock Exchange in relation to certain requirements under the GEM Listing Rules.

### APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 11.07(2) of the GEM Listing Rules, we must appoint a company secretary who satisfies 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 company secretary.

Note 1 to Rule 5.14 of the GEM Listing Rules sets out the academic and 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); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 5.14 of the GEM Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "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 training taken and/or to be taken in addition to the minimum requirement under Rule 5.15 of the GEM Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Deng Huaxin as one of our joint company secretaries. He joined our Group in August 2015 and is the deputy general manager of Xiamen Byleasing. Mr. Deng has more than ten years of experience in legal compliance and risk management. For details of Mr. Deng Huaxin, see "Directors and Senior Management — Senior Management" in this Prospectus. Mr. Deng Huaxin, however, does not possess the specified qualifications required by Rule 5.14 of the GEM Listing Rules. Given the important role of the company secretary in the corporate governance

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

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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 have made the following arrangements:

- Mr. Deng Huaxin will endeavor to attend relevant training courses to enable him to acquire a good understanding of the relevant Hong Kong laws and regulations, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the GEM Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange from time to time, in addition to the minimum requirement under Rule 5.15 of the GEM Listing Rules;
- we have appointed Ms. Ng Ka Man, who meets the requirements under Note 1 to Rule 5.14 of the GEM Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Deng Huaxin in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Deng Huaxin to acquire the relevant experience (as required under Note 2 to Rule 5.14 of the GEM Listing Rules) to discharge the duties and responsibilities as company secretary; and
- before expiry of the three-year period, the qualifications and experience of Mr. Deng Huaxin will be re-evaluated. Mr. Deng Huaxin is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Ng Ka Man'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. If such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rule 5.14 of the GEM Listing Rules as company secretary of the Company.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 5.14 and 11.07(2) of the GEM Listing Rules. Before expiry of the initial three-year period, the qualifications of Mr. Deng Huaxin will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 5.14 of the GEM Listing Rules can be satisfied. In the event that Mr. Deng Huaxin has obtained relevant experience under Note 2 to Rule 5.14 of the GEM Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into, and expect to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under the GEM Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Chapter 20 of the GEM Listing Rules for such continuing connected transactions. For details of such continuing connected transactions and the conditions of the waiver, see "Continuing Connected Transactions" in this Prospectus.

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

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF 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 (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

Copies of this Prospectus required by the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance are available, for information purposes only, during normal office hours from 9:00 a.m. to 5:00 p.m. at the offices of the Public Offer Underwriters from 9:00 a.m., Saturday, 30 June 2018 to 12:00 noon, Monday, 9 July 2018 (both dates inclusive). For details of office addresses of the Public Offer Underwriters, see “How to Apply for the Public Offer Shares — 3. Applying for Public Offer Shares — Where to Collect the Application Forms” in this Prospectus.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This Prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in “Structure and Conditions of the Share Offer” in this Prospectus. The Listing is sponsored by the Sole Sponsor. The Share Offer is managed by the Sole Global Coordinator. The Share Offer will be fully underwritten by the Underwriters under the terms of the Underwriting Agreements. For further details about the Underwriters and the Underwriting Agreements, see “Underwriting” in this Prospectus.

### **OFFER PRICE**

The Offer Shares are being offered at the Offer Price, which is expected to be fixed by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, which is currently scheduled to be on or about Wednesday, 11 July 2018 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company may agree. If, for whatever reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to agree on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse. For full information relating to the determination of the Offer Price, see “Structure and Conditions of the Share Offer” in this Prospectus.

### **SELLING RESTRICTIONS**

No action has been taken to permit any offer of the Offer Shares or the distribution of this Prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this Prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

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

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The distribution of this Prospectus and/or the related Application Forms and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorization by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this Prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such Shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set out in “How to Apply for the Public Offer Shares” in this Prospectus and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Further details of the structure and conditions of the Share Offer are set out in “Structure and Conditions of the Share Offer” in this Prospectus.

### **APPLICATION FOR LISTING OF THE SHARES ON GEM**

Application has been made to the Listing Division of the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalization Issue on GEM and the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any option which may be granted under the Share Option Scheme.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this Prospectus has been refused prior to 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 the Company 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 all times after the Listing, the Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or loan capital of the Company is listed, traded or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

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

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential applicants in the Share Offer are recommended to consult with their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasized that none of the Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

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

The principal register of members of the Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited, and the branch register of members of the Company will be maintained in Hong Kong by the Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. All the Offer Shares will be registered on the branch register of members of the Company in Hong Kong. Dealings in the Shares registered on the branch register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on the Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

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

Subject to the approval of the Listing of, and permission to deal in, the Shares on GEM and the compliance 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 Listing Date 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 activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 18 July 2018. Shares will be traded in board lots of 2,000 Shares each. The stock code for the Shares is 8525. The Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be affected by participants of GEM whose bid and offer quotations will be available on GEM's teletext

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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page information system. Delivery and payment for Shares dealt on GEM will be affected on the second Business Day following the transaction date. Only certificates for Shares registered on the branch share register of the Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this Prospectus and for which no official English translation exists are unofficial translations for your reference only.

### 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 up or down to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi have been translated, for illustration purposes only, into HK\$ in this Prospectus at HK\$1.00 = RMB0.8359.

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

### WEBSITE

The contents of any website mentioned in this Prospectus do not form a part of this Prospectus.



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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>                 |  |                    |
| Zhou Shiyuan (周士淵)                         | Room 1903<br>#501, Bai Luzhou Road<br>Siming District, Xiamen City<br>Fujian<br>PRC                  | Chinese            |
| Chen Xinwei (陳欣慰)                          | Room 2603<br>#7 Straits International Bay<br>Siming District, Xiamen City<br>Fujian<br>PRC           | Chinese            |
| Huang Dake (黃大柯)                           | Room 1701<br>#823-9, Xiahe Road<br>Siming District, Xiamen City<br>Fujian<br>PRC                     | Chinese            |
| <i>Non-executive Director</i>              |  |                    |
| Ke Jinding (柯金鏞)                           | #A6, Xing Taxia Road,<br>Anhai District, Jinjiang City<br>Fujian<br>PRC                              | Chinese            |
| <i>Independent non-executive Directors</i> |  |                    |
| Chen Chaolin (陳朝琳)                         | Room 305, Building No. 45<br>No. 22 Bai Lu Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC | Chinese            |
| Tu Liandong (涂連東)                          | Room 704<br>No. 454, Xian Yue Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC              | Chinese            |
| Xie Mianbi (謝綿陞)                           | Room 604, Building No.12<br>No. 1 Ji Cen Road<br>Jimei District, Xiamen<br>Fujian Province<br>PRC    | Chinese            |

For details, see “Directors and Senior Management” in this Prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

**Changjiang Corporate Finance (HK) Limited**  
Suite 1908, 19th Floor, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

#### Sole Global Coordinator

**Changjiang Securities Brokerage (HK) Limited**  
Suite 1908, 19th Floor, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

#### Joint Bookrunners

**Aristo Securities Limited**  
Room 101, 1st Floor  
On Hong Commercial Building  
145 Hennessy Road  
Wanchai, Hong Kong

**ChaoShang Securities Limited**  
Room 4001-02, China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

#### Joint Lead Managers

**Bluemount Securities Limited**  
Room 2403-05, Jubilee Centre  
18 Fenwick Street  
Wan Chai, Hong Kong

**Cinda International Capital Limited**  
45th Floor, Cosco Tower  
183 Queen's Road Central  
Hong Kong

**JS Securities Limited**  
Room 901, 9th Floor, Capital Centre  
151 Gloucester Road  
Wanchai, Hong Kong

**China Industrial Securities International Capital Limited**  
7th Floor, Three Exchange Square  
8 Connaught Place  
Central, Hong Kong

**ChaoShang Securities Limited**  
Room 4001-02, China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### Legal Advisers to the Company

*As to Hong Kong Law:*

**Stephenson Harwood**  
18th Floor, United Centre  
95 Queensway  
Hong Kong

*As to PRC Law:*

**Beijing DHH Law Firm**  
12/F, Tower C, Yintai Center,  
No. 2, Jianguomenwai Avenue,  
Chaoyang District  
Beijing  
PRC

*As to Cayman Islands Law:*

**Conyers Dill & Pearman**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### Legal advisers to the Sole Sponsor and the Underwriters

*As to Hong Kong Law:*

**YTL & Co.**  
Suite 1905, Tower 2, Lippo Centre  
89 Queensway  
Hong Kong

*As to PRC Law:*

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

### Auditors and reporting accountants

**KPMG**  
*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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|--|---|
| <b>Independent industry consultant</b> | <b>Frost &amp; Sullivan</b><br>1018, Tower B<br>No. 500 Yunjin Road<br>Xuhui District<br>Shanghai<br>PRC                                    |
| <b>Compliance adviser</b>              | <b>Changjiang Corporate Finance (HK) Limited</b><br>Suite 1908, 19th Floor, Cosco Tower<br>183 Queen's Road Central<br>Central<br>Hong Kong |
| <b>Receiving banks</b>                 | <b>Bank of China (Hong Kong) Limited</b><br>1 Garden Road<br>Hong Kong  |

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## CORPORATE INFORMATION

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|---|--|
| <b>Registered office</b>                                      | Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands   |
| <b>Headquarter and principal place of business in the PRC</b> | Unit 1, 30/F<br>No. 77, Tai Nan Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC  |
| <b>Principal place of business in Hong Kong</b>               | 31/F., Tower Two, Times Square<br>1 Matheson Street<br>Causeway Bay, Hong Kong   |
| <b>Company's website</b>                                      | <b><u><a href="http://www.byleasing.com">www.byleasing.com</a></u></b><br><i>(the information contained on this website does not form part of this Prospectus)</i>   |
| <b>Joint company secretaries</b>                              | Mr. Deng Huaxin (鄧華新)<br>Room 1101<br>No. 146 Jin Bang Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC<br><br>Ms. Ng Ka Man (吳嘉雯), ACS, ACIS<br>31/F., Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| <b>Authorized representatives</b>                             | Mr. Huang Dake (黃大柯)<br>Room 1701<br>No. 823-9 Xia He Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC<br><br>Ms. Ng Ka Man (吳嘉雯)<br>31/F., Tower Two<br>Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong             |

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## CORPORATE INFORMATION

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| <b>Compliance officer</b>   | Mr. Deng Huaxin (鄧華新)  |
| <b>Audit committee</b>  | Mr. Tu Liandong (涂連東) ( <i>Chairman</i> )<br>Mr. Chen Chaolin (陳朝琳)<br>Mr. Ke Jinding (柯金鏞)  |
| <b>Remuneration committee</b>                                       | Mr. Chen Chaolin (陳朝琳) ( <i>Chairman</i> )<br>Mr. Xie Mianbi (謝綿陞)<br>Mr. Huang Dake (黃大柯)   |
| <b>Nomination committee</b>   | Mr. Zhou Shiyuan (周士淵) ( <i>Chairman</i> )<br>Mr. Tu Liandong (涂連東)<br>Mr. Xie Mianbi (謝綿陞)  |
| <b>Cayman Islands principal share registrar and transfer office</b> | Conyers Trust Company (Cayman) Limited<br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands   |
| <b>Hong Kong branch share registrar and transfer office</b>         | Tricor Investor Services Limited<br>Level 22, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong  |
| <b>Principal bankers</b>  | <b>Agricultural Bank of China Dongdu Branch</b><br>No. 77 Dongdu Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC<br><br><b>China Everbright Bank Xiamen Branch</b><br>China Everbright Bank Building<br>No. 81 Hubin South Road<br>Siming District, Xiamen<br>Fujian Province<br>PRC |

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## INDUSTRY OVERVIEW

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*The information presented in this section has been derived from the Industry Report. The Industry Report is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our and their respective directors, officers, affiliates, advisers or representatives, or any other person or party involved in the Share Offer. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, affiliates, advisers or representatives, and any other person or party involved in the Share Offer make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to analyze and prepare the Industry Report on the finance leasing industry in China. We agreed to pay Frost & Sullivan a total fee of RMB400,000 for its preparation and our use of the Industry Report. Founded in 1961, Frost & Sullivan has research platforms in multiple industries and has accumulated substantial experience in industries including the financial and finance leasing industries.

In compiling and preparing the Industry Report, Frost & Sullivan has relied on statistics and information obtained through both primary and secondary researches. Primary research includes discussing the status of the industry with leading industry participants and industry experts, while secondary research includes reviewing company reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by Frost & Sullivan. Frost & Sullivan has also cross-checked the data obtained from different sources to ensure such data are in line with the practice of the industry. During the forecast period from 2018 to 2022, the forecasts were made by Frost & Sullivan on the basis of the following assumptions: (i) China's economy is likely to maintain steady growth during the forecast period; (ii) the social, economic and political environment in China is likely to remain stable during the forecast period; and (iii) market drivers like increasing penetration of finance leasing, increasing acceptance of finance leasing as a new financing channel, policy support and supply-side reform and technological advancement are expected to drive the finance leasing industry in China.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Industry Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information in this section.

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## INDUSTRY OVERVIEW

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### OVERVIEW OF THE MACROECONOMIC AND FINANCIAL ENVIRONMENT IN CHINA

Over the past years, the PRC economy has maintained a solid growth rate despite of the influence from the world financial crisis. During the world financial crisis, the PRC Government adopted effective economic policies to stabilize the economy. From 2012 to 2017, China's nominal GDP has increased from RMB54.0 trillion to RMB82.7 trillion, with a CAGR of 8.9%. China's per capita nominal GDP, which has maintained a firm growth as attributable to the steady economic development and population growth, increased from RMB39,544 in 2012 to RMB59,660 in 2017, with a CAGR of 8.6%. At the same time, China's fixed-asset investment and total equipment and tool spending continue to grow. According to the National Bureau of Statistics of China (中國國家統計局) ("NBS"), from 2012 to 2017, China's fixed-asset investment grew from RMB37.5 trillion to RMB64.1 trillion, with a CAGR of 11.3%, while China's total equipment and tool spending increased from RMB7.6 trillion to RMB11.4 trillion, with a CAGR of 8.5%.

Going forward, the PRC economy is likely to maintain a solid and healthy developing trend. According to the International Monetary Fund ("IMF"), China's nominal GDP is forecasted to grow at a CAGR of 8.5% from 2018 to 2022, and the per capita nominal GDP is expected to increase from RMB63,403 in 2018 to RMB86,400 in 2022, realizing a CAGR of 8.0%. Benefiting from one of the PRC Government's principal methods to stimulate the economy, the growth trend of fixed-asset investment is expected to continue. With the steady growing economy and increasing urbanization, China's total equipment and tool spending is expected to reach RMB16.9 trillion by 2022, realizing a CAGR of 8.0% from 2018 to 2022.

From 2012 to 2015, the PBOC reduced interest rates for several times in order to promote a steady economic development. On 23 October 2015, the PBOC announced the reduction in bank reserve requirements. In order to reduce financing costs of enterprises, one-year benchmark loan rate of financial institutions was reduced to 4.35% and interests of other loans were also reduced accordingly. Loose monetary policy and low interest rates are essential to economic stabilization, and China's loan interest rates are expected to remain at a relatively low level.

### THE MACROECONOMIC AND FINANCIAL ENVIRONMENT IN FUJIAN PROVINCE

Due to the rapid development of service industry and strategic emerging industries, GDP of Fujian Province increased from RMB2.0 trillion in 2012 to RMB3.2 trillion in 2017, with a CAGR of 10.4%. Per capita nominal GDP of Fujian Province increased from RMB52,763 in 2012 to RMB82,976 in 2017, with a CAGR of 9.5%, due to the steady economic development and population growth. With large-scale investments in areas of scientific research and technological services and infrastructure construction, fixed-asset investment of Fujian Province has illustrated a high-speed growth in the past five years. Fixed-asset investment of Fujian Province increased from RMB1.3 trillion in 2012 to RMB2.6 trillion in 2017, with a CAGR of 15.6%. Due to government's favorable policies to attract investment, total equipment and tool spending of Fujian Province increased from RMB198.1 billion in 2012 to RMB376.9 billion in 2017, with a CAGR of 13.7%.

According to Frost & Sullivan, GDP of Fujian Province is expected to increase from RMB3.5 trillion in 2018 to RMB5.0 trillion in 2022, realizing a CAGR of 9.4%, because of the remarkable development in Internet business and e-commerce business. Per capita nominal GDP of Fujian Province is expected to increase from RMB88,985 in 2018 to RMB124,967 in 2022, realizing a CAGR of 8.9%, and fixed-asset investment of Fujian Province is expected to increase from RMB3.0 trillion in 2018 to



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## INDUSTRY OVERVIEW

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RMB4.5 trillion in 2022, realizing a CAGR of 11.4%. In line with the increasing trend of China's total equipment and tool spending, total equipment and tool spending of Fujian Province is expected to reach RMB593.4 billion by 2022, realizing a CAGR of 10.5% from 2018 to 2022.

### THE FINANCE LEASING INDUSTRY IN CHINA

#### *Overview*

In 1981, the establishment of the first Sino-foreign joint venture finance leasing company marked the beginning of the finance leasing industry in China, which has developed for more than 35 years. Within the PRC regulatory framework, finance leasing companies are generally classified in the two categories below by regulatory authority:

- **CBIRC-regulated financial leasing companies:** Such companies are generally established by domestic and foreign commercial banks, large domestic manufacturing enterprises, foreign finance leasing companies and other institutions recognized by the CBIRC. With strong shareholder background, solid financial position and higher license qualifications, such companies are major participants in terms of contract balance of China's finance leasing industry.
- **MOFCOM-regulated finance leasing companies:** Such companies are further categorized into domestic-funded pilot and foreign-funded finance leasing companies by shareholder structure. Domestic-funded pilot finance leasing companies are established by domestic enterprises with strong financial position. Foreign-funded finance leasing companies, such as Xiamen Byleasing, are sponsored and established by foreign investors.<sup>(1)</sup>

The regulatory requirements for the CBIRC-regulated financial leasing companies and the MOFCOM-regulated finance leasing companies are mainly different in terms of sources of funding and capital adequacy requirements, leverage ratio and minimum registered capital. Meanwhile, CBIRC-regulated financial leasing companies are regulated under more stringent CBIRC regulations, and generally have greater capacities in financing availability and operation stability.

China's finance leasing industry has experienced a rapid growth since 2012. The contract balance has increased from RMB1.6 trillion in 2012 to RMB6.1 trillion in 2017, with a CAGR of 31.3%. Along with the industrial reform and equipment upgrade in China, the steady growth of China's fixed-asset investment volume creates a greater potential for the development of the finance leasing industry. It is expected that China's fixed-asset investment volume will keep increasing with a low growth rate from 2018 to 2022. The contract balance of China's finance leasing industry is expected to reach RMB13.0

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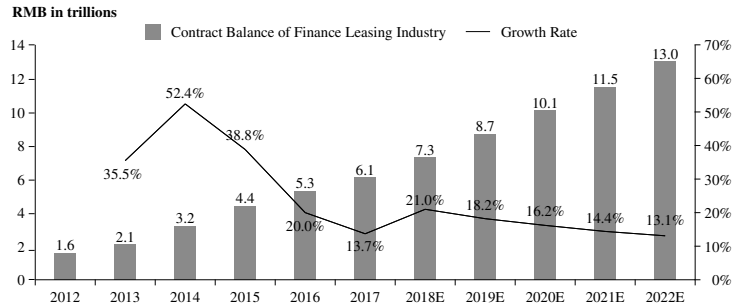
#### *Note:*

- (1) The CBIRC is a new department organ established on 21 March 2018 to combine and replace the function and authority of the previous CBRC and CIRC (中國保險業監督管理委員會) (“**China Insurance Regulatory Commission**”). According to the Notice on Matters about the Re-arrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops issued by the General Office of MOFCOM (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) on 14 May 2018, the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be delegated to CBIRC. Detailed guidance has not been issued and the current administration will remain in effect until detailed rules and measures come into effect. For the disclosure purpose in this Prospectus, Xiamen Byleasing will remain under such category.

## INDUSTRY OVERVIEW

trillion by 2022, realizing a CAGR of 15.5% from 2018 to 2022. The following chart illustrates the contract balance of China's finance leasing industry as of the year end from 2012 to 2017 and the expected contract balance as of the year end from 2018 to 2022:

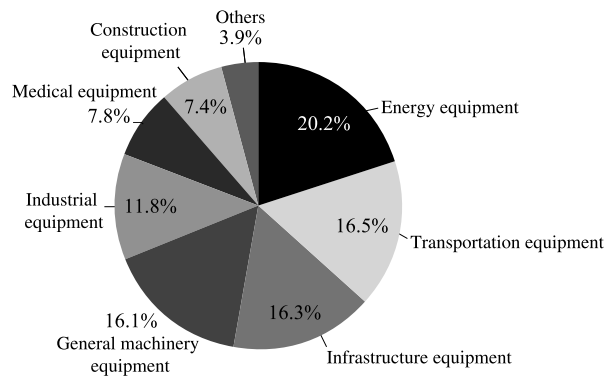
**The Contract Balance of the Finance Leasing Industry (China), 2012–2017 and 2018–2022 (expected)**



Source: China Leasing Alliance, Frost & Sullivan

As of 31 December 2016, the value of infrastructure equipment and general machinery equipment underlying the leases amounted to RMB164.7 billion and RMB162.1 billion, respectively, representing 16.3% and 16.1% of the total value of assets underlying the leases in China. The value of assets underlying the leases in 2017 was unavailable. The following chart illustrates the total value of assets underlying the leases in China by industry in 2016:

**Value of Assets underlying the Leases in 2016**



Source: MOFCOM, Frost & Sullivan

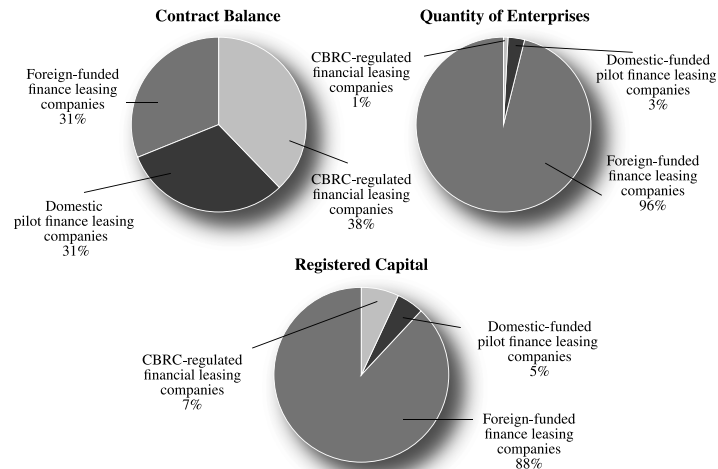
### ***Competitive Landscape of China's Finance Leasing Industry***

As of 31 December 2017, there were a total of 9,090 finance leasing companies in China, including 69 CBIRC-regulated financial leasing companies, 276 domestic-funded pilot finance leasing companies and 8,745 foreign-funded finance leasing companies.

## INDUSTRY OVERVIEW

Contributed by the relatively low entry criteria and favorable policy support, the number of foreign-funded finance leasing companies is more than that of domestic-funded pilot finance leasing companies and CBIRC-regulated financial leasing companies. With lower financing cost, foreign-funded finance leasing companies have greater development potential compared to the other two types. The following chart illustrates the industrial structure of China's finance leasing industry in 2017:

**Industrial Structure of the Finance Leasing Industry in 2017 (Classified by Regulatory Authority)**



Source: MOFCOM, China Leasing Alliance, Frost & Sullivan

Compared to CBIRC-regulated financial leasing and domestic-funded pilot finance leasing companies, the registered capital requirement of foreign-funded finance leasing companies is relatively lower. Since 2013, the MOFCOM has softened the requirement of establishing foreign-funded investment enterprises. With the establishment of four free trade areas, the number of foreign-funded finance leasing companies has grown rapidly. From 2012 to 2017, the CAGR of the number and the contract balance of foreign-funded finance leasing companies was 74.3% and 40.3%, respectively. From 2012 to 2017, constrained by the license approval procedures, the CBIRC-regulated financial leasing and domestic-funded pilot finance leasing companies only achieved a CAGR of 28.1% and 28.4%, respectively, in terms of the number of companies, and a CAGR of 28.1% and 28.3%, respectively, in terms of the contract balance.

The finance leasing companies are mainly concentrated in coastal regions with well developed economy, such as Guangdong, Shanghai and Tianjin. The number of finance leasing companies registered in Guangdong, Shanghai and Tianjin ranked top three in China in 2017, which represented approximately 75.6% of the total number of finance leasing companies throughout the nation. The

## INDUSTRY OVERVIEW

penetration rate in each of these regions is higher than any other places in China with a continuously increasing trend. The following charts illustrate the top ten provinces in terms of the number of finance leasing companies in 2017 and market penetration from 2013 to 2017 in China:

**Companies in the Finance Leasing Industry in 2017 (Rank by Region)**

| Region                  | CBIRC-regulated<br>financial leasing<br>company | Domestic-funded<br>pilot finance<br>leasing company | Foreign-funded<br>finance leasing<br>company |
|-------------------------|---|---|--|
| Guangdong . . . . .     | 6   | 18  | 3,124  |
| Shanghai . . . . .      | 10  | 20  | 2,121  |
| Tianjin . . . . .       | 11  | 79  | 1,484  |
| <b>Fujian</b> . . . . . | <b>2</b>  | <b>10</b>   | <b>359</b>                                   |
| Zhejiang . . . . .      | 4   | 22  | 335  |
| Shandong . . . . .      | 3   | 19  | 295  |
| Jiangsu . . . . .       | 5   | 15  | 259  |
| Beijing . . . . .       | 3   | 27  | 205  |
| Liaoning . . . . .      | 1   | 9   | 155  |
| Chongqing . . . . .     | 3   | 5   | 73   |

**Market Penetration by Regions, 2013–2017 (Rank by Region)**

| Region                  | 2013        | 2014        | 2015        | 2016        | 2017        |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Tianjin . . . . .       | 21.5%       | 21.8%       | 23.0%       | 24.5%       | 25.9%       |
| Shanghai . . . . .      | 18.9%       | 19.6%       | 21.7%       | 23.7%       | 25.2%       |
| Guangdong . . . . .     | 12.8%       | 13.5%       | 14.4%       | 15.9%       | 17.4%       |
| Beijing . . . . .       | 9.7%        | 10.2%       | 11.0%       | 12.0%       | 13.6%       |
| Jiangsu . . . . .       | 2.4%        | 3.2%        | 5.3%        | 6.9%        | 8.1%        |
| <b>Fujian</b> . . . . . | <b>3.0%</b> | <b>2.6%</b> | <b>3.7%</b> | <b>5.0%</b> | <b>6.6%</b> |
| Zhejiang . . . . .      | 7.1%        | 5.8%        | 4.5%        | 4.3%        | 5.4%        |
| Liaoning . . . . .      | 2.5%        | 3.5%        | 4.0%        | 4.3%        | 4.9%        |
| Shandong . . . . .      | 2.1%        | 3.7%        | 3.2%        | 3.4%        | 4.8%        |
| Anhui . . . . .         | 1.8%        | 2.4%        | 2.7%        | 3.0%        | 3.4%        |

Source: MOFCOM, China Leasing Alliance, Frost & Sullivan

### Comparison of Profitability and Asset Quality with Industry Peers

The following table sets out a summary of the key financial ratios of our Group and the industry peers for the year ended 31 December 2017, unless otherwise specified:

|                          |   | The Group | Industry peers <sup>(13)</sup> |                            |                              |                          | Industry<br>Average      |      |
|--------------------------|---|-----------|--------------------------------|----------------------------|------------------------------|--------------------------|--------------------------|------|
|                          |   |           | China Shandong                 |                            | FY Financial                 |                          |                          |      |
|                          |   |           | Funeng Finance                 | Rongxin Leasing            | Hi-Speed Financial           | Wealthy Way              | FY Financial             |      |
|                          |   |           | Leases Co., Ltd.               | Co., Ltd.                  | Group Limited                | Group Limited            | Co., Ltd.                |      |
|                          |   |           | ("Funeng") <sup>(9)</sup>      | ("Rongxin") <sup>(9)</sup> | ("CSHF") <sup>(10)(11)</sup> | ("WWGL") <sup>(11)</sup> | ("FYFC") <sup>(11)</sup> |      |
| Profitability ratios (%) | Net profit margin <sup>(1)</sup> . . . . .          | 34.0      | 20.9                           | (25.9)                     | 82.3                         | 27.3                     | 16.9                     | 24.3 |
|                          | Net interest margin <sup>(2)</sup> . . . . .        | 7.7       | 1.5                            | 3.5                        | (6.7)                        | 4.8                      | 5.1                      | 1.6  |
|                          | Return on equity <sup>(3)</sup> . . . . .           | 11.3      | 4.8                            | (11.2)                     | 5.0                          | 5.4                      | 4.9                      | 1.8  |
|                          | Return on total assets <sup>(4)</sup> . . . . .     | 3.1       | 1.0                            | (2.1)                      | 3.4                          | 2.2                      | 1.6                      | 1.2  |
| Asset quality (%)        | Default ratio <sup>(5)</sup> . . . . .              | 2.4       | 6.6                            | 12.8                       | NA <sup>(12)</sup>           | NA <sup>(12)</sup>       | 3.8                      | 7.7  |
|                          | Allowance coverage ratio <sup>(6)</sup> . . . . .   | 132.4     | 37.3                           | 36.1                       | NA <sup>(12)</sup>           | NA <sup>(12)</sup>       | 39.8                     | 37.7 |
|                          | Non-performing asset ratio <sup>(7)</sup> . . . . . | 2.4       | 6.6                            | 12.8                       | NA <sup>(12)</sup>           | NA <sup>(12)</sup>       | 3.5                      | 7.6  |
| Capital adequacy         | Interest coverage ratio <sup>(8)</sup> . . . . .    | 2.5x      | 1.5x                           | 0.4x                       | 2.2x                         | 2.1x                     | 2.3x                     | 1.7x |

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*Notes:*

- (1) Net profit margin represents profit for the year divided by revenue for the relevant year.
- (2) Net interest margin represents the difference between the interest income and the interest expenses divided by average of beginning and ending balance of finance lease receivables of such year. The reason for the Group using a different formula from that disclosed in other sections of this Prospectus is mainly because the average monthly balance of receivables of our industry peers is not publicly available.
- (3) Return on equity represents profit for the year divided by total equity as of the end of such year.
- (4) Return on assets represents profit for the year divided by total assets as of the end of such year.
- (5) Default ratio represents the balance of overdue and impaired finance lease receivables divided by net amount of finance lease receivables.
- (6) Allowance coverage ratio represents the allowances for impairment losses on finance lease receivables divided by the balance of impaired finance lease receivables.
- (7) Non-performing asset ratio represents the balance of overdue and impaired finance lease receivables divided by carrying amount of finance lease receivables.
- (8) Interest coverage ratio represents profit before interest and tax divided by interest expenses.
- (9) Funeng and Rongxin are listed on National Equities Exchange and Quotations. All figures are prepared according to Auditing Standard of China Certified Public Accountant.
- (10) Based on public information as of 31 March 2017.
- (11) CSHF, WWGL and FYFC are listed on Hong Kong Stock Exchange. All figures are audited in accordance with Hong Kong Standard on Auditing issued by the HKICPA.
- (12) No impairment allowance was made for the finance lease receivables as of 31 December 2017.
- (13) Data for industry peers are for illustrative purpose only as they may differ in scale of operations and place of listing.

### THE FINANCE LEASING INDUSTRY IN FUJIAN PROVINCE

#### *Overview*

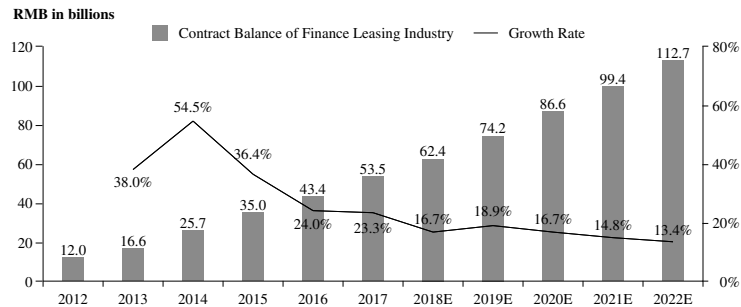
Fujian Province has become one of the fastest developing provinces for the finance leasing industry in China. Especially in the past two to three years, the number of finance leasing companies registered in Fujian Province has grown significantly. As of 31 December 2017, according to China Leasing Alliance (中國租賃聯盟), the number of registered finance leasing companies in Fujian Province reached 371. In spite of the large number of finance leasing companies, the finance leasing industry in Fujian Province is still behind those developed areas, such as Guangdong, Shanghai and Tianjin. A series of favorable policies issued by the government of Fujian Province encouraged the development of the finance leasing industry in Fujian Province. For instance, the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見) has implemented effective measures on taxation and development environment to support the finance leasing industry in Fujian Province.

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From 2012 to 2015, the PBOC has reduced interest rates for several times in order to promote a steady economic development. On 23 October 2015, the PBOC announced the reduction in bank reserve requirements and interest rate. In order to reduce financing costs of enterprises, one-year benchmark loan rate of financial institutions was reduced to 4.35%, and interests of other loans were reduced accordingly. Loose liquidity and low interest rate are prerequisites to economic stabilization. China's loan interest rates are expected to remain relatively low level along with the economic restructuring and industrial upgrading in China.

Along with the prosperity of China's finance leasing industry, the finance leasing industry in Fujian Province has also experienced a rapid growth since 2012. From 2012 to 2017, the total contract balance in Fujian Province has increased from RMB12.0 billion to RMB53.5 billion, with a CAGR of 34.8%. With the optimization of investment environment and implementation of favorable policies, the finance leasing industry in Fujian Province is embracing a bright future in the coming years. Frost & Sullivan forecasts that the total contract balance is expected to reach RMB112.7 billion by 2022, representing a CAGR of 15.9% from 2018 to 2022. The following chart illustrates the total contract balance of the finance leasing industry as of the year end from 2012 to 2017 and the expected contract balance as of the year end from 2018 to 2022 in Fujian Province:

**Fujian's Total Contract Balance of the Finance Leasing Industry, 2012–2017 and 2018–2022 (expected)**



Source: Frost & Sullivan

The rapid growth of the finance leasing industry in Fujian Province also stimulated the total market revenue. From 2012 to 2017, total revenue of the finance leasing industry in Fujian Province increased from RMB1.9 billion in 2012 to RMB11.2 billion in 2017, with a CAGR of 42.3%. The growth was mainly attributed to the increasing number of finance leasing companies in Fujian Province. The total revenue of the finance leasing industry in Fujian Province is expected to reach RMB28.0 billion in 2022, realizing a CAGR of 19.6% from 2018 to 2022.

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### *Competitive Landscape of the Finance Leasing Industry in Fujian Province*

In 2017, the total revenue of the top ten players, which were registered in Fujian Province, was RMB1,355.7 million. The total revenue of the top ten players occupied approximately 12.1% of the market share. We were the sixth largest licensed finance leasing company in terms of revenue in Fujian Province, with a market share of 1.1% in 2017. The following table sets forth the details of the top ten players of the finance leasing industry in Fujian Province in terms of revenue in 2017:

| <u>Ranking<sup>(1)</sup></u> | <u>Company name</u>       | <u>Year of incorporation</u> | <u>Nature</u>         | <u>Registered capital</u> | <u>Revenue<sup>(2)</sup></u> | <u>Market share</u> |
|------------------------------|---------------------------|------------------------------|-----------------------|---------------------------|------------------------------|---------------------|
|                              |                           |                              |                       | <i>RMB in millions</i>    | <i>RMB in millions</i>       | <i>%</i>            |
| 1                            | Company A . . . . .       | 2007                         | Domestic-funded       | 503.5                     | 229.5                        | 2.0                 |
| 2                            | Company B . . . . .       | 2000                         | Domestic-funded       | 416.0                     | 191.0                        | 1.7                 |
| 3                            | Company C . . . . .       | 2012                         | Foreign-funded        | 310.0                     | 174.8                        | 1.6                 |
| 4                            | Company D . . . . .       | 2008                         | Domestic-funded       | 700.0                     | 170.1                        | 1.5                 |
| 5                            | Company E . . . . .       | 2008                         | Foreign-funded        | 141.4                     | 138.9                        | 1.2                 |
| <b>6</b>                     | <b>Xiamen Byleasing .</b> | <b>2010</b>                  | <b>Foreign-funded</b> | <b>168.0</b>              | <b>125.6<sup>(3)</sup></b>   | <b>1.1</b>          |
| 7                            | Company F . . . . .       | 2006                         | Foreign-funded        | 262.3                     | 121.5                        | 1.1                 |
| 8                            | Company G . . . . .       | 2013                         | Foreign-funded        | 199.2                     | 76.5                         | 0.7                 |
| 9                            | Company H . . . . .       | 2015                         | Foreign-funded        | 300.0                     | 73.2                         | 0.7                 |
| 10                           | Company I . . . . .       | 2009                         | Foreign-funded        | 89.4                      | 54.6                         | 0.5                 |
| Top ten . . . . .            |                           |                              |                       |                           | 1,355.7                      | 12.1                |
| Others . . . . .             |                           |                              |                       |                           | 9,878.8                      | 87.9                |
| <b>Total . . . . .</b>       |                           |                              |                       |                           | <b>11,234.5</b>              | <b>100.0</b>        |

*Notes:*

- (1) The ranking is based on the revenue among all licensed finance leasing companies registered in Fujian Province.
- (2) Such data were collected from local tax bureaus.
- (3) The revenue of RMB125.6 million collected from local tax bureau was calculated in accordance with the Provisions on Matters Relating to the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (營業稅改徵增值稅試點有關事項的規定), which represented the total amount (including principal, interest and management fee) we received under the direct finance leasing agreements, the interest and management fee we charged under the sale-leaseback agreements, and the income arising from factoring agreements and advisory agreement for the year ended 31 December 2017. As extracted from the financial information, our revenue from finance leasing services of RMB60.8 million for the year ended 31 December 2017 was recognized using the effective interest rate method, and therefore was different from RMB125.6 million on a value-added tax basis.

*Source: Frost & Sullivan*

Company A, primarily engaging in finance leasing, factoring and advisory services businesses, is listed on National Equities Exchange and Quotations. Company A ranked at the top of the market, which was mainly attributed to its strong sales network and financing channels, such as asset backed securities and private equity. Company B is a domestic-funded company with an emphasis on finance leasing and factoring services businesses. Due to its longer operating history since 2000, Company B has built a stable business network in the finance leasing industry of Fujian Province, which makes it the third largest finance leasing company in Fujian Province in terms of the registered capital. Company

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C, a joint venture company listed on National Equities Exchange and Quotations, mainly provides finance leasing, factoring and advisory services for SMEs. Relying on its complete business network and the shareholders' strength in energy industry, Company C took the third position in Fujian finance leasing industry and realized revenue of RMB174.8 million in 2017. Companies D and E are both factory-affiliated finance leasing companies primarily engaging in finance leasing, factoring and advisory services businesses. Due to the stable equipment supply and price discount from their holding companies, Companies D and E are in a better position to develop their finance leasing businesses in the targeted markets. In 2017, the revenue of Companies D and E amounted to RMB170.1 million and RMB138.9 million, respectively, taking the fourth and fifth position in the finance leasing industry in Fujian Province. Following Xiamen Byleasing, Company F took the seventh position in the market with an emphasis on finance leasing, factoring and advisory services businesses but limited to the industrial manufacturing sector. Foreign-funded Companies G and I mainly provide finance leasing and advisory services. Unlike Xiamen Byleasing, Companies G and I primarily focus on the automotive finance leasing sector, which usually generates lower rental earnings compared to Xiamen Byleasing's businesses. Company H primarily engages in finance leasing, factoring and advisory services businesses.

The finance leasing market in Fujian Province is highly fragmented with total 371 registered companies as of 31 December 2017, including 359 foreign-funded finance leasing companies, ten domestic funded pilot finance leasing companies and one CBIRC-regulated financial leasing company. Foreign-funded finance leasing companies have witnessed a strong development in terms of number of companies, increasing from 21 in 2012 to 359 in 2017. Most of the companies' business in Fujian Province focuses on transportation, industrial manufacturing, telecommunication and construction.

### **DRIVERS, ENTRY BARRIERS AND FUTURE OUTLOOK OF THE FINANCE LEASING INDUSTRY**

#### *Major Drivers of the Finance Leasing Industry*

##### **Low penetration rate provides huge development potential**

Compared with developed countries, the penetration rate, which means proportion of the total value of leased assets to the total fixed-asset investment, of China's finance leasing industry is relatively low. In 2016, the penetration rate of China's finance leasing industry was 8.8%, while the penetration rate was 21.5% in the United States, 33.7% in Britain and 17.0% in German. The emergence of massive foreign-funded finance leasing companies and stable regulatory environment are expected to raise the penetration rate in China's finance leasing industry. In addition, as of 31 December 2017, China's total amount of loans was over RMB120.1 trillion, while the contract balance of China's finance leasing industry was RMB6.1 trillion, accounting for 5.1% of the total amount of loans. As a result, China's finance leasing industry still has a huge development potential.

##### **Finance leasing becomes a new financing channel**

Traditional ways of financing, such as bank loans, are usually in short term and prone to liquidity risks. They usually cannot meet medium- and long-term financing needs of enterprises, while finance leasing can provide enterprises with medium- and long-term equipment financing to ease funding



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## INDUSTRY OVERVIEW

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pressures at their early stages. In addition, such access to equipment via finance leasing also helps companies revitalize fixed assets and improve their liquidity. Compared to bank loans, equity financing or bonds, finance leasing has traits including relatively low collateral requirements, convenient approval process and cash-flow-matching repayment methods. Meanwhile, if the lessee is overdue on the payments or unable to make the lease payment, the lessor can seek repossession of the equipment in order to offset losses. With this trait, finance leasing companies face lower risk compared to banks.

### **The PRC Government is creating a better regulatory environment to the finance leasing industry**

Over the past years, the PRC Government has issued a series of policies to promote the development of the finance leasing industry. For example, in 2015, the State Council issued the Guiding Opinions on Accelerating the Development of the Finance Leasing Industry (關於加快融資租賃業發展的指導意見), which affirmed the governmental support for finance leasing companies with policies and specific measures. Additionally, the government of Fujian Province has enacted a series of policies to support the development of the finance leasing industry in Fujian Province, including the Opinions on Promoting the Development of the Finance Leasing Industry issued by the government of Fujian Province in 2016, which provides favorable tax treatments to local finance leasing companies.

The establishment of Fujian Free Trade Area also attracts a substantial amount of foreign investment into the finance leasing industry in Fujian Province. The PRC Government supports foreign-funded finance leasing companies with more favorable policies on areas, such as registered capital, requirements of issuing offshore bonds and approval procedures. For instance, the MOFCOM issued the Administrative Measures on Foreign Investments in the Leasing Industry (外商投資租賃業管理辦法) in 2015 to further support the foreign-funded finance leasing companies by removing the minimum registered capital requirement of US\$10.0 million.

### **The development of China's real economy underpins the rapid growth of the finance leasing industry**

China's finance leasing industry is propelled by the continuous development of China's real economy and the increasing financing needs of various industries and enterprises. For the moment, the PRC Government aims to drive capital into the real economy by emphasizing the role of financial market in serving the real economy. Finance leasing is expected to play an important part in promoting the overall economy because it satisfies the enterprises' need in equipment upgrade and financing.

In the meantime, the introduction of the Belt and Road Initiative brings more opportunities to develop cross-border infrastructure construction, which would create higher demand for equipment upgrade and capital investment. All these developments in China's real economy are going to create huge opportunities for the finance leasing industry. Since the introduction of the Belt and Road Initiative, Fujian Province is becoming the core area of the 21st-Century Maritime Silk Road, and this has brought more market opportunities in the industries of infrastructure construction, transportation and international trade, which in turn is expected to provide great market potential for the finance leasing industry in Fujian Province.

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### **Accelerated development of the finance leasing industry is fuelled by supply-side reform and technological advancement**

The transformation and upgrading of China's economic structure focus on the elimination of obsolete production capacity of traditional industries, the effect of which is likely to speed up innovation-driven economic development. The goal of such transformation is to achieve a more effective allocation of resources, which would drive up the emerging demand for finance leasing services. The rapid development of high-end manufacturing industry and modern service industry will become strong growth drivers of the finance leasing industry.

The scientific advancement and revolution of information technology enable business entities to constantly take advantage of more advanced equipment and technologies, stimulating business entities to continuously upgrade production equipment. As a result, the turnover rate of various kinds of equipment will be higher, leading business enterprises to spend on such equipment. Therefore, in order to improve utilization efficiency and upgrade equipment, the capital demands of enterprises will increase, which generates abundant market opportunities for the finance leasing industry.

### **Certain main industries' developments stimulate growth of finance leasing industry**

#### *Infrastructure industry*

With the accelerating urbanization process, the PRC Government has enacted strategic plans to promote infrastructure construction. In 2017, the PRC Government set 12 major tasks to develop municipal infrastructure in the new "13th Five-Year Plan," which was the first national municipal infrastructure plan in China. In addition, the Belt and Road Initiative is likely to provide more development opportunities in neighboring countries by appealing lots of oversea infrastructure projects. The expected infrastructure projects are expected to create potential demand for finance leasing equipment.

#### *Manufacturing industry*

As the labor costs increase, the revolution of manufacturing technology has become a key driver for the apparel and textile manufacturing industry. The evolution of automation level and equipment upgrade significantly raised the production efficiency of apparel and textile manufacturing companies. In addition, the depreciation of Renminbi would further promote the export of apparels and textile products, which in turn drives the development of manufacturing industry. In addition, the PRC Government has announced a series of initiatives like "Made in China 2025" and "Industry 4.0" to transform the manufacturing industry into a higher level in automation and intelligence.

Followed by "Equipment Manufacturing Standardization and Quality Improvement Plan" (裝備製造業標準化和品質提升規劃) in 2015, the PRC Government is dedicated to raise the national manufacturing level by upgrading the manufacturing equipment especially special-purpose equipment. Potential replacement and upgrades of special-purpose equipment would stimulate the development of finance leasing market.

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### *Entry Barriers into the Finance Leasing Industry*

According to Frost & Sullivan, there are high entry barriers for finance leasing companies, including:

- **Capital Barrier:** Due to the capital-intensive nature of the finance leasing business, the operations of the finance leasing companies are largely driven by their capital bases. The finance leasing industry also requires participants to have strong financing capacity, diversified financing channels and ability to obtain low-cost financing to sustain their operations and further expand their businesses.
- **Resources Barrier:** Finance leasing companies generally rely on customer network to expand their business. For example, CBIRC-regulated financial leasing companies usually rely on the customer network of their parent banks, while domestic-funded pilot finance leasing companies that are set up by large equipment manufacturers usually rely on the manufacturers' customer network to expand their business. Finance leasing companies often accumulate a solid customer base throughout years of practice and establish good relationships with the local governments or large state-owned enterprises. The long service cycle, as a characteristic of the finance leasing industry, makes it difficult for new entrants to obtain customer resources and expand their business.
- **Talent Barrier:** As an increasing number of enterprises enter the high-end technology industries, it requires the finance leasing companies to have professional personnel with matching technological background. As a result, there will be greater needs for high-end talent with different areas of professional knowledge, such as finance, marketing, management and taxation. Access to high-end talent and the establishment of specialized teams become challenges to new entrants.
- **Technical Barrier:** Finance leasing companies conducting business on the Internet have developed their own customer database, as well as online platforms and products. Meanwhile, big data has become one of the most important risk control measures. Big data has been used in program auditing and risk management system to analyze and monitor dynamic indicators used in the finance leasing industry, such as debt ratio, current ratio and clients' turnover rate of accounts receivable.

### *Future Outlook of the Finance Leasing Industry*

#### **Threats and Challenges**

*Intensification of mergers and acquisitions leads to the consolidation of the finance leasing industry*

Compared with the finance leasing industry in developed countries, the market concentration of China's finance leasing industry is relatively low. According to China Leasing Alliance, as of 31 December 2017, the top ten PRC finance leasing companies accounted for only a total market share of 3.9% in terms of registered capital. It is expected that China's finance leasing industry will enter the phase of consolidation in the future. Certain leading finance leasing companies will further strengthen their competitive edge and speed up their growth by pursuing expansion through cooperation or mergers and acquisitions.

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### *The single business model may result in difficulties of development*

At present, the profit model of China's finance leasing companies is solely based on interest earnings. Due to the loose monetary policy and marketization of interest rates in the financial market, the interest earnings may decrease and it may be difficult for this single profit model to remain effective.

### *The lack of professionals is constraining the development of finance leasing companies*

The lack of finance leasing professionals and expertise is constraining the development of finance leasing companies in Fujian Province. The increase in the amount of qualified personnel in the finance leasing industry does not match the rapid growth pace of the market. Many finance leasing companies in Fujian Province have bottlenecks in developing business to fully meet the diversified demand of clients.

## **Opportunities**

### *The transformation of traditional industries and the development of emerging industries*

The reform and upgrade of traditional industries as well as the development of emerging industries have fostered the financing needs in relation to equipment and technology, which brings opportunities to the finance leasing industry. In 2015, the State Council promulgated the initiative of Made in China 2025, which specifies the blueprint of China's manufacturing industry in the next decade and places great emphasis on smart manufacturing. Emerging industries including the new generation of information technology, such as big data and cloud computing, smart city, aerospace equipment, advanced rail transportation equipment, energy saving and environmental protection and clean energy mentioned in the plan will bring enormous business opportunities for the finance leasing industry.

### *Expansion of Public-Private Partnership projects*

Public-Private Partnership (“PPP”) projects present a new path of business development for finance leasing companies. Taking advantage of social capital via PPP projects will benefit the mutual growth for both the public and private sectors since the financial pressure of local governments will be effectively eased and the available investment scope for social capital will be enlarged at the same time. As of 31 December 2017, 14,424 PPP projects with a total investment of RMB18.2 trillion had been recorded in the PPP project library of MOF, covering various fields, such as energy, transportation, water conservancy, environmental protection and agriculture and infrastructure construction. Along with the advancement of urbanization and the development of PPP model, the PPP-related businesses are expected to grow continuously in the future. Finance leasing companies may expand their revenue sources and diversify asset portfolio by participating in PPP projects.

### *Large financial demands from small enterprises*

Financial institutions' preference for large businesses has resulted in the ignorance of small- and micro-enterprises' financial needs. According to Frost & Sullivan, the number of small- and micro-enterprises in China accounted for 84.0% of the total number of business entities in China as of 31 December 2017. However, the total outstanding balance of bank loans issued to small- and micro-

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## INDUSTRY OVERVIEW

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enterprises is RMB24.3 trillion as of 31 December 2017, accounting for only 20.2% of the total balance of bank loans issued to all business entities. Therefore, the finance leasing industry for small- and micro-enterprises has huge development potential.

### *Innovation of business model of finance leasing services*

With the fast development of Internet, the combination of the finance leasing industry and the Internet inspires the innovation of new business model and leasing product design. The finance leasing services based on the online-to-offline model are expected to be a new focus of the market. Connecting offline and online businesses by developing online finance leasing platforms is likely to expand the business scope of finance leasing companies.

In August 2015, the premier of the State Council encouraged the innovation of new business model and making the most of Internet technologies. The developments in Internet-based operations include: (i) business sourcing via Internet platforms, such as allowing clients to apply for finance leases; (ii) online credit approval procedures, such as integrating Internet user behavior data in the rating model to build standardized approval process to improve the approval efficiency and effectiveness of risk control; and (iii) online post-lease management, such as collecting consumer behavior data with information technology tools to monitor changes in clients' credit status in order to enhance the efficiency of asset management.

## OVERVIEW AND MARKET ANALYSIS OF THE FACTORING SERVICE MARKET IN CHINA

### *Overview*

The factoring service market in China is directly driven by the large and increasing balance of account receivables. According to Factors Chain International (國際保理商聯合會), China is the second largest factoring service market in the world. Due to the fluctuation of exchange rate and the slowdown of global economy, the total turnover of factoring business has decreased from RMB2,784.8 billion in 2012 to RMB2,216.4 billion in 2016.

Currently, over 80% of factoring services are provided by commercial banks in China. The government issued the MOFCOM Circular on Issues Related to Commercial Factoring Pilot Projects (商務部關於商業保理試點有關工作的通知) to promote the development of commercial factoring businesses. With the government's supportive policies such as taxation allowance, the commercial factoring has seen a significant growth in recent years. As of 31 December 2016, the total number of commercial factoring companies was 5,593, and the total turnover of factoring business has exceeded RMB500 billion for the year ended 31 December 2016.

### *Key Success Factors of Factoring Service Market in China*

Success of a factoring service market player in China greatly relies on its capital strength to provide factoring services to other enterprises. In the meantime, commercial factoring companies with multiple financing channels could expand the turnover of factoring services to gain more market share. In addition, companies providing factoring services should establish a comprehensive risk management system to monitor and manage potential risks in relation to the factoring services they provide.

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### PRC LAWS AND REGULATIONS TO FOREIGN INVESTMENT

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

Investment in the PRC by foreign investors and foreign-invested enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “**Catalogue**”) (2017 Revision), which was last amended and issued by MOFCOM and NDRC on 28 June 2017 and became effective since 28 July 2017. The Catalogue contains specific provisions guiding market access for foreign capital and stipulates in detail the industry sectors grouped under the categories of encouraged industries, restricted industries and prohibited industries. Any industry not listed in the Catalogue is a permitted industry unless otherwise prohibited or restricted by other PRC laws or regulations. The finance leasing industry falls within the permitted category in accordance with the Catalogue.

#### *Law of PRC on Wholly Foreign-invested Enterprises*

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law, which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and the amendments became effective on 1 March 2014. Under the PRC Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The PRC Company Law also applies to limited liability companies and joint stock limited companies invested by foreign investors. Where there are otherwise different provisions in any law on foreign investment, such provisions shall prevail.

The Law of the PRC on Wholly Foreign-invested Enterprises (中華人民共和國外資企業法) was promulgated and became effective on 12 April 1986, and was last amended and became effective on 1 October 2016. The Implementing Regulations of the PRC Law on Foreign-invested Enterprises (中華人民共和國外資企業法實施細則) were promulgated by the State Council on 28 October 1990. They were last amended on 19 February 2014 and the amendments became effective on 1 March 2014. The Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) were promulgated by MOFCOM and became effective on 8 October 2016, and were last amended on 30 July 2017 with immediate effect. The above-mentioned laws form the legal framework for the PRC Government to regulate WFOEs. These laws and regulations govern the establishment, modification, including changes to registered capital, shareholders, corporate form, merger and split, dissolution and termination of WFOEs.

After the relevant steps of the Reorganization completed on 10 November 2017, we became a WFOE and should comply with the above-mentioned laws.

#### *Law of the PRC on Sino-foreign Equity Joint Ventures and Regulation on the Implementation of the Law of the PRC on Sino-foreign Equity Joint Ventures*

The Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) was promulgated and became effective on 8 July 1979, was last amended on 3 September 2016 and became effective on 1 October 2016. The Regulations on the Implementation of the Law of the 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) were promulgated and became effective on 20 September 1983. They were last amended on 19 February 2014 and the

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amendments became effective on 1 March 2014. The above-mentioned laws form the legal framework for the PRC Government to regulate Sino-foreign Equity Joint Ventures (“**JVs**”). These laws and regulations govern the establishment, modification, including changes to registered capital, shareholders, corporate form, merger and split, dissolution and termination of JVs.

Before the completion of the Reorganization, except for the period from 19 January 2017 to 31 May 2017 during which we were a foreign-invested joint stock company, we were a JV and should comply with the above-mentioned laws.

### **PRC CONTRACT LAW**

The PRC Contract Law was promulgated by the NPC on 15 March 1999 to regulate civil contractual relationships between natural persons, legal persons and/or other organizations. Chapter 14 of the PRC Contract Law sets out mandatory rules regarding finance leasing agreements.

As we are a finance leasing company registered in the PRC, the PRC Contract Law should apply.

Under the PRC Contract Law, a finance leasing agreement shall be in written form and shall include such terms as the name, quantity, specifications, technical performance and inspection method of the leased equipment, the lease term, composition, payment term, payment method and currency of the finance lease receivable and the ownership of the leased equipment upon expiration of the lease.

Under a finance leasing agreement, the lessor shall conclude a purchase agreement based on the lessee’s selections of equipment supplier and leased equipment, and the equipment supplier shall deliver the leased equipment to the lessee as agreed. The lessee enjoys the rights of a buyer when taking delivery of the leased equipment. Without the consent of the lessee, the lessor may not modify any particulars related to the lessee in the purchase agreement which have been concluded based on the lessee’s selections of the seller and the leased property.

In respect of the usage and maintenance of the leased equipment, the lessee shall take due care of the leased equipment and use it properly. The lessee shall maintain and repair the leased equipment while in possession of it. The lessor shall not be liable for any bodily injury or property damage to a third party caused by the leased equipment while in the possession of the lessee. However, the ownership of the leased equipment shall vest in the lessor. If the lessee becomes bankrupt, the leased equipment shall not become part of the assets available for distribution in bankruptcy. If the leased equipment fails to meet the requirements stipulated by the parties or is not fit for use, the lessor shall not be liable, unless the lessee selected the leased equipment in reliance on the technical expertise of the lessor or if the lessor interfered in the selection of the leased equipment.

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

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### ENTERPRISE ACCOUNTING CODES NO. 21 — LEASING

The Enterprise Accounting Codes No. 21 — Leasing (企業會計準則第21號—租賃) (the “Codes”) were promulgated by the MOF on 15 February 2006 and became effective on 1 January 2007 to regulate the accounting and information disclosure of finance leasing and operating leasing.

Under the Codes, leasing means an agreement whereby the lessor transfers 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 leases or the licensing of films, video tapes, scripts, writings, patents and copyrights, or the impairment losses of long-term credits resulting from the finance leasing of a lessor.

In respect of any leasing, the Codes require the lessor and the lessee to classify the leasing as either finance leasing or as operating leasing at the commencement of the lease. The Codes also set out the criteria to be considered for such classification. The accounting treatments of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions of the Codes. The lessor and the lessee are also required to comply with several disclosure requirements in respect of their lease transaction in the notes to their balance sheets. In addition, they are required to disclose each sale-leaseback transaction as well as the important provisions of these sale-leaseback agreements.

### PRC LAWS AND REGULATIONS ON FINANCE LEASING ENTERPRISES

#### *The Measures for Finance Leasing Enterprises*

The Measures for Finance Leasing Enterprises (融資租賃企業監督管理辦法) (the “Measures for Finance Leasing Enterprises”) were promulgated by MOFCOM on 18 September 2013 and became effective on 1 October 2013 to strengthen regulation over both domestic and foreign-invested finance leasing enterprises.

According to the Measures for Finance Leasing Enterprises, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing companies. A finance leasing company shall, according to the requirements of MOFCOM, 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 company shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operations in the preceding quarter, and prior to 30 April of each year, submit the statistics on and summary of its operations in the preceding year as well as its financial and accounting report (including the notes appended thereto) audited by an audit body for the preceding year. In the event of a change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a finance leasing company shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance leasing company that undergoes the said changes shall go through approval and other procedures in compliance with relevant provisions. A finance leasing company shall, within five working days after completing registration changes with the AIC, log into the National Finance Leasing Enterprise Management Information System to modify the relevant information.



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The Measures for Finance Leasing Enterprises explicitly stipulate the business scope of a finance leasing company. A finance leasing company may conduct its finance leasing activities by way of a direct lease, sublease, leaseback, leveraged lease, entrusted lease and joint lease within the limits of applicable laws, regulations and rules. A finance leasing company shall operate finance leasing and other leasing businesses as its main business, and may engage in the purchase of leased properties, disposal of residual value of leased properties, maintenance of leased properties, lease transaction consultancy and guarantee services, assignment of accounts receivable to a third party institution, receiving lease deposits and other businesses approved by the competent authority. A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing. A finance leasing company is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

The Measures for Finance Leasing Enterprises also require the finance leasing companies to strengthen their internal risk controls, to establish good systems for classifying at-risk assets, and to adopt a credit appraisal system for the lessee, an ex post recovery and disposal system and a risk alert mechanism. A finance leasing company shall also establish an affiliated transaction management system, and exclude related parties from the voting or decision making process of affiliated transactions. In the event of a purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be evidently lower than the price offered by such enterprise to any third party for such equipment or for equipment of the same batch. A finance leasing company shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance leasing company shall strengthen the management of its major lessees, limit the proportion of business with a single lessee and with lessees that are affiliates, and pay attention to the prevention and diversification of operational risks. The Measures for Finance Leasing Enterprises also stipulate that risky assets of a finance leasing company shall not exceed ten times of its total net assets.

The Measures for Finance Leasing Enterprises also contain regulatory provisions specifically on sale-leaseback transactions. The subject matter of a sale-leaseback transaction shall be properties that can give play to their economic functions and produce continuous economic benefits. A finance leasing company shall not accept any property to which a lessee has no disposal rights, or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction. A finance leasing company shall give adequate consideration to and objectively evaluate assets leased back, set reasonable purchase prices for them in compliance with accounting principles, and shall not purchase any asset at a price in excess of its value. Xiamen Byleasing has been reporting in accordance with the Measures for Finance Leasing Enterprises, and has established an effective risk control mechanism to limit its risk exposure especially in its sale-leaseback business.

On 14 May 2018, the General Office of MOFCOM issued the Notice on Matters about the Re-arrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) (the “**New Notice**”), according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be delegated to CBIRC. Although the competent authority has changed, the relevant governing laws and regulations of the finance leasing industry are still in force in the PRC as confirmed by our PRC legal advisers. During the Track Record Period, the Company had complied with the applicable PRC laws, rules and regulations in all material

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respects. However, after its issuance, the Company has taken prompt actions to respond to the New Notice, including organizing all senior managers' in-depth study of the New Notice. The Company consulted with CBRC Xiamen Bureau (中國銀行業監督管理委員會廈門監管局) to confirm the practice of the New Notice. The Company also conducted a face-to-face interview with the head of Fiscal and Financial Service Bureau of Pilot Free Trading Zone of Fujian (Xiamen Sub-area) on 21 May 2018. According to the interview, before further specific instructions, Fiscal and Financial Service Bureau of Pilot Free Trading Zone of Fujian (Xiamen Sub-area) will still be the supervising authority of finance leasing companies within the area. The Company will pay close attention to the issuance of detailed rules and measures and prepare for timely reaction to the potential new arrangements of the competent governing authorities.

***Regulations on Supervision and Control of Medical Devices, the China Food and Drug Administration Reply on Issue Concerning the Supervision and Administration of the Finance Leasing of Medical Devices***

The Methods for the Supervision and Administration of Medical Devices (醫療器械經營監督管理辦法) (the “**Methods**”) were promulgated on 30 July 2014 and became effective on 1 October 2014 and were partially amended on 17 November 2017 with immediate effect. The Methods regulate the operation of medical devices to assure the safety of medical devices.

The Regulations on Supervision and Control of Medical Devices (醫療器械監督管理條例) (the “**Regulations on Medical Devices**”) were promulgated by the State Council on 4 January 2000, became effective on 1 April 2000 and were last amended on 4 May 2017. The Regulations on Medical Devices regulate the research, production, operation and use of medical devices. Pursuant to the Regulations on Medical Devices, an enterprise engaging in the operation of Class II medical devices shall report to the food and drug administration department of the local PRC Government at the districted city level for recordation (the “**recordation procedure**”). An enterprise engaging in the operation of Class III medical devices shall complete the recordation procedure and obtain a License for Medical Device Business (醫療器械經營許可證). Pursuant to the China Food and Drug Administration Reply on Issue Concerning the Supervision and Administration of the Finance Leasing of Medical Devices (國家食品藥品監督管理局關於融資租賃醫療器械監管問題的答覆意見) which was promulgated on 1 June 2005 with immediate effect, the Regulations on Medical Devices also apply to finance leasing of medical devices.

As we are a foreign-funded finance leasing company registered in the PRC, if we plan to operate finance leasing of medical devices, we should complete the recordation procedure or obtain License for Medical Device Business. Although we did not provide finance leasing to medical device during the Track Record Period, we completed the recordation procedure for Class II medical devices on 3 June 2015.

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### PRC LAWS AND REGULATIONS ON FOREIGN-FUNDED FINANCE LEASING COMPANIES

#### *Measures on the Administration of Foreign Investment in the Leasing Industry*

The Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the “**Measures of Foreign Investment in the Leasing Industry**”) were promulgated by MOFCOM on 3 February 2005 and were last amended on 28 October 2015 to regulate the operation of foreign-invested leasing businesses and finance leasing businesses. The Measures of Foreign Investment in the Leasing Industry was subsequently abolished on 22 February 2018.

The Measures of Foreign Investment in the Leasing Industry apply to the establishment of foreign-invested enterprises by foreign investors such as foreign companies, enterprises and other economic organizations in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative JVs and WFOEs in the PRC to engage in the leasing business or finance leasing business. Under the Measures of Foreign Investment in the Leasing Industry, foreign investors with total assets of no less than US\$5.0 million are permitted to apply to MOFCOM for the establishment of foreign-funded finance leasing companies in the PRC. Foreign-funded finance leasing companies must satisfy the following conditions: (i) the term of operation of a foreign-funded finance leasing company in the form of a limited liability company normally shall not exceed 30 years; and (ii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and shall have no less than three years’ experience in the relevant business.

Under the Measures of Foreign Investment in the Leasing Industry, foreign-funded finance leasing companies may conduct the following businesses: (i) finance leasing business; (ii) leasing business; (iii) acquisition of domestic and overseas leased assets; (iv) disposal of residual value of and maintenance of leased property; (v) lease transaction consultancy and guarantee services; and (vi) other businesses approved by the competent authorities. Foreign-funded finance leasing companies may carry out finance leasing activities by way of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing. Only permitted leased assets, namely: (i) movable properties, such as manufacturing equipment, telecommunications equipment, medical devices, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment; (ii) transportation equipment, such as airplanes, automobiles and ships; and (iii) intangible assets such as software and technology that are attached to the movable properties and transportation equipment mentioned above provided that the value of such attached intangible assets shall not exceed half of the value of the movable properties or transportation equipment they are attached to, can qualify as leased objects under a finance lease. We primarily engage in finance leasing business through Xiamen Byleasing, a wholly-owned subsidiary of the Company. As advised by our PRC Legal Advisers, according to the confirmation letters issued by local competent authorities, the establishment of Xiamen Byleasing as a foreign-funded finance leasing company in March 2010 has been duly approved by MOFCOM and registered with the SAIC. The whole procedure has been completed in full compliance with the Measures of Foreign Investment in the Leasing Industry.

The Measures of Foreign Investment in the Leasing Industry require that the at-risk assets of a foreign-funded finance leasing company, which are the total amount of residual assets determined by deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times the company’s net assets as of the end of each financial year. The Measures of Foreign Investment in the Leasing Industry further require that foreign-

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invested finance leasing companies submit a report on their business operations and financial statements audited by an accounting firm of the preceding year to MOFCOM for filing purposes before 31 March of each year. Our Directors confirmed that, in accordance with the Measures of Foreign Investment in the Leasing Industry and other relevant laws and regulations, Xiamen Byleasing has set up appropriate business development and risk management programs, has made timely reports to MOFCOM as required by the Measures of Foreign Investment in the Leasing Industry and has submitted its year-end financials for filing purposes before 31 March of each year. During the Track Record Period, we did not receive any inquiry from MOFCOM in relation to these filings.

### *The Provisional Measures for Administration of the Commercial Factoring Pilot Program in Fujian Free Trade Area*

The Provisional Measures for Administration of the Commercial Factoring Pilot Program in Fujian Free Trade Area (Min shangwuwaizi [2015]25) (中國(福建)自由貿易試驗區商業保理業務試點管理暫行辦法(閩商務外資[2015]25號)) (the “**Fujian Provisional Measures**”) were promulgated by MOFCOM of Fujian Province on 5 May 2015 to regulate the administration for commercial factoring pilot program in the Fujian Free Trade Area. Fujian Provisional Measures specify that a finance leasing company, after filing with relevant governmental authorities, can concurrently conduct commercial factoring business relating to its principal business. According to the Fujian Provisional Measures, a commercial factoring company shall have two or more management personnel who have management experience in the financial industry and no unfavorable credit record and its investors shall have experience in the commercial factoring business or other similar businesses. When commencing its business, a commercial factoring company shall have at-risk assets not exceeding ten times its net assets. A commercial factoring company shall complete registration of transfer of accounts receivable through the system for publicizing the registration of pledged receivables established by the Credit Reference Center of the PBOC\* (中國人民銀行徵信中心) to publicize its status of ownership of accounts receivable. A commercial factoring company shall engage a qualified bank located in the Fujian Free Trade Area as its depository bank and set up a specified account for the operating funds of the commercial factoring business. A commercial factoring company shall also complete registration on the Commercial Factoring Business Information System\* (商業保理業務信息系統) of the MOFCOM about the company’s information, including the company register information, management personnel, financial position, status of business development and internal control rules. The information registered shall be considered as important indicators for the company’s performance. As confirmed by the competent authority, Xiamen Byleasing was legally and properly established and has complied with the governing laws and regulations in all material aspects except that: (i) it failed to engage a qualified bank as its depository bank as the local bank had no previous experience for opening such account for a company engaged in commercial factoring business; and (ii) it failed to complete the registration on the Commercial Factoring Business Information System of the MOFCOM about the company’s information as the system was undergoing update and not available for registration. As confirmed by the competent authority, they have been aware of such situation and will not impose any penalties against Xiamen Byleasing in this regard. Our Directors have confirmed that they are working closely with the banks and relevant authorities to rectify the situation as soon as the system operates normally, and the situation does not have a material and adverse effect on our business operations.

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### PRC LAWS AND REGULATIONS RELATING TO TAXATION

#### *Enterprise Income Tax Law of the PRC*

The EIT Law, which was promulgated on 16 March 2007 and became effective on 1 January 2008, was last amended on 24 February 2017. According to the EIT Law, the income tax rate for both domestic and foreign-invested enterprises is 25%, and the tax exemptions, reductions and preferential treatment which had been enjoyed by foreign-invested enterprises before 1 January 2008 have been abolished unless otherwise specified. Pursuant to the EIT Law, enterprises established outside the PRC whose “actual management organizations” are located in the PRC are considered “PRC resident enterprises” and are subject to the uniform 25% EIT rate for their global income. According to the EIT Law, “actual management organizations” mean organizations implementing substantive and comprehensive management and control over the production and business operations, staff, accounts, properties, etc. of an enterprise. The EIT rate for high and new technological enterprises needing special support from the PRC Government is 15%.

The EIT rate which we shall be subject to depends on whether we shall be considered as a PRC resident enterprise.

#### *Interim Regulations of the PRC on Value-added Tax*

Pursuant to the Interim Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例), which were promulgated on 13 December 1993, became effective on 1 January 1994, and were last amended on 19 November 2017, and their implementation rules, entities or individuals in the PRC engaged in the sale of goods, the provision of processing, repairs and replacement services and the importation of goods are required to pay VAT, on the value added during the course of the sale of goods or provision of services. Unless otherwise specified, the applicable VAT rate for the sale or importation of goods and provision of processing, repair and replacing services is 17%.

#### *Notice of MOF and SAT on Some Issues about Policies on Business Tax*

The MOF and the SAT jointly promulgated the Notice of MOF and SAT on Some Issues about Policies on Business Tax (財政部、國家稅務總局關於營業稅若干政策問題的通知) on 15 January 2003 and was last amended on 24 May 2013. According to this notice, if an entity is approved by the PBOC, the Ministry of Foreign Trade and Economic Cooperation and the State Economic and Trade Commission to operate a finance leasing business, its revenue from the finance leasing business shall be the total price and additional fees received from the lessee (including the residual value) minus the actual cost of the leased assets borne by it. Such actual cost of the leased assets borne by the lessor shall include the purchase price, customs duty, VAT, consumption tax, transportation cost, installation cost, insurance premium and interest on loans (including accrued interest on foreign currency- and RMB-dominated loans) of the leased assets borne by the lessor.

The SAT and the MOF jointly promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Valued-added Tax in lieu of Business Tax (全面推開營業稅改徵增值稅試點的通知) (財稅 [2016] No. 36) on 23 March 2016, which became effective on 1 May 2016. Pursuant to this new circular, entities and individuals shall pay VAT at a rate of 6% for any taxable activities unless otherwise stipulated.

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### *Notice of SAT on Levying Turnover Tax on Finance Leasing Business and Supplemental Notice of SAT on Levying Turnover Tax on Finance Leasing Business*

The Notice of SAT on Levying Turnover Tax on Finance Leasing Business (國家稅務總局關於融資租賃業務徵收流轉稅問題的通知) was promulgated on 15 June 2000 and became effective on 7 July 2000. According to this notice, for finance leasing businesses operated by entities approved by the PBOC, business tax shall be levied according to the Provisional Regulations on Business Tax and no VAT shall be levied, whether or not the ownership of the leased goods has been transferred to the lessee. For the same business conducted by other entities, VAT rather than business tax shall be levied if the ownership of the leasing goods has been transferred to the lessee; while business tax rather than VAT shall be levied if the ownership of the leasing goods has not been transferred to the lessee.

The Supplemental Notice of SAT on Levying Turnover Tax on Finance Leasing Business (國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知) was promulgated on 15 November 2000 and provides that the Notice of SAT on Levying Turnover Tax on Finance Leasing Business shall be applicable to finance leasing businesses operated by foreign-invested enterprises and foreign enterprises approved by the Ministry of Foreign Trade and Economic Cooperation.

### *The Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Divided Clauses in Tax Agreements and the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers*

The PRC Government and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷稅漏稅的安排) (the “**Arrangement**”) on 21 August 2006, which was last amended by Protocol IV to the Arrangement (“**Protocol IV**”), and the Protocol IV became effective on 29 December 2015. According to the Arrangement, if the beneficiary of dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interest in a PRC resident enterprise, the tax rate levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interest in a PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated by the SAT on 20 February 2009, where a fiscal resident of the non-PRC contracting party to a tax agreement directly owns a certain proportion (generally 25% or 10%) of the capital of a Chinese resident company that pays dividends, the tax on the dividends paid to the fiscal resident of the non-PRC contracting party may be levied at the tax rate prescribed in the tax agreement. To enjoy this treatment under the tax agreement, the fiscal resident of the non-PRC contracting party shall meet all of the following requirements:

- (a) According to the tax agreement, the fiscal resident of the non-PRC contracting party shall be a company;

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- (b) Both the percentage of ownership interest and the percentage of voting shares in the Chinese resident company held by the fiscal resident of the non-PRC contracting party shall meet the prescribed threshold percentages; and
- (c) The percentage of capital of the Chinese resident company directly owned by the fiscal resident of the non-PRC contracting party shall meet the threshold percentage prescribed in the tax agreement at all times during the twelve consecutive months before dividends are obtained.

Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (非居民納稅人享受稅收協定待遇管理辦法), which became effective on 1 November 2015, a non-resident taxpayer meeting the qualifying conditions for convention treatment may opt to enjoy the convention treatment when filing a tax return or making a withholding declaration through a withholding agent and be subject to subsequent administration by tax authorities.

As Xiamen Byleasing is wholly-owned by Septwolves Financial Holding, which is a company incorporated in Hong Kong, the tax rate of the distributed dividends paid by Xiamen Byleasing to Septwolves Financial Holding should comply with the above-mentioned laws and regulations.

### *Announcement on Tax Issues Concerning Lessee Selling Assets in Finance Sale-leaseback*

The Announcement on Tax Issues Concerning Lessee Selling Assets in Financial Sale-leaseback (國家稅務總局公告2010年第13號—關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告) was promulgated by the SAT on 8 September 2010 to introduce preferential tax treatments for lessees in financial sale-leasebacks. Under this announcement, a “sale-leaseback” is defined as a business in which a lessee for the purpose of financing sells its assets to an enterprise which has been approved to engage in the finance leasing business and then leases the sold assets back from such enterprise. According to the announcement, the lessee in a financial sale-leaseback can enjoy the following preferential tax treatments: (i) no VAT and business tax shall be imposed on the lessee’s sale of assets in a financial sale-leaseback; and (ii) the lessee’s sale proceeds from a financial sale-leaseback will not be recognized as sales income and the depreciation of the leased assets shall still be recognized by lessees based upon the book value before the sale of the assets. The financing interest paid by the lessee during the finance leasing period shall be deducted as financial costs before making EIT payments.

### *Circular 7*

Pursuant to Circular 7 which was issued by the SAT on 3 February 2015, if a non-resident enterprise indirectly transfers its equity interest in PRC resident enterprises and other properties by entering into arrangements without reasonable commercial purposes to evade EIT, the nature of these indirect transfers shall be re-defined and recognized as direct transfers of equity interest in PRC resident enterprises and other properties. An equity interest in the PRC enterprises and other properties refers to: (i) properties of an establishment in the PRC; (ii) real estate in the PRC; or (iii) equity investment in a PRC resident enterprise and other properties directly held by a non-resident enterprise and for whom the proceeds from the transfer of such properties shall be subject to EIT as specified by PRC tax laws (collectively the “**PRC Taxable Properties**”). An indirect transfer of the PRC Taxable Properties refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Properties — a transfer by a non-resident enterprise of equity interest or other similar interest in an

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## REGULATORY OVERVIEW

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overseas enterprise (excluding PRC resident enterprises registered overseas) that directly or indirectly holds PRC Taxable Properties, including a change in the overseas enterprise's shareholders as a result of reorganization of the non-resident enterprise.

Article 1 of Circular 7 is not applicable if taken as a whole, the arrangement regarding the indirect transfer of PRC Taxable Properties meets any of the following circumstances: (i) the non-resident enterprise obtains income from the indirect transfer of PRC Taxable Properties by acquiring and disposing of the equity interest of the offshore listed company in a public market; or (ii) the non-resident enterprise directly holds and transfers the PRC Taxable Properties in accordance with an applicable tax treaty or arrangement that exempts the transfer from relevant EIT in the PRC.

If the above exemptions do not apply, transfers of Shares by Shareholders which are non-resident enterprises may be re-defined and recognized as direct transfers of PRC Taxable Properties if it is determined that such arrangements have no reasonable commercial purpose and are entered into to evade EIT. This should be determined on a case-by-case basis.

Circular 7 provides that the overall circumstances of such transfers shall be considered and the following relevant factors shall all be analyzed when determining whether an indirect transfer of PRC Taxable Properties has a reasonable commercial purpose, which should be determined on a case-by-case basis: (i) whether the value of the equity of the overseas enterprise is derived, directly or indirectly, mainly from the PRC Taxable Properties; (ii) whether the assets of the overseas enterprise comprise, directly or indirectly, mainly of investments in the PRC, or whether its income is, directly or indirectly, mainly sourced from the PRC; (iii) whether the actual functions performed and risks undertaken by the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC Taxable Properties can prove the economic substance of the corporate structure; (iv) the existence duration of the shareholders, business model and related organizational structure of the overseas enterprise; (v) the information regarding overseas income tax payment for the indirect transfer of the PRC Taxable Properties; (vi) whether the indirect investment or indirect transfer of the PRC Taxable Properties by the equity transferor can be substituted by a direct investment or a direct transfer of the PRC Taxable Properties; (vii) the information regarding the tax treaties or tax arrangements applicable to the income from the indirect transfer of the PRC Taxable Properties; and (viii) other related factors.

Circular 7 also provides that unless it falls under the exemptions stipulated, an indirect transfer shall be deemed to have no reasonable commercial purpose if it meets all of the following circumstances ("**Deemed Negative Determination**"): (i) 75% or more of the value of the overseas enterprise shares is, directly or indirectly, derived from PRC Taxable Properties; (ii) at any time within one year before the indirect transfer of PRC Taxable Properties, 90% or more of the total assets of the overseas enterprise (not including cash) is, directly or indirectly, comprised of investments in the PRC, or 90% or more of the overseas enterprise's income in the year before the indirect transfer of PRC Taxable Properties is, directly or indirectly, derived from the PRC; (iii) the overseas enterprise and its subsidiaries which, directly or indirectly, hold PRC Taxable Properties, are incorporated in a country or region and fulfill the organizational form as required by local law, but the enterprise and its subsidiaries only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance; and (iv) the overseas income tax payable for the indirect transfer of PRC Taxable Properties outside the PRC is less than the possible tax burden on the direct transfer of PRC Taxable Properties in the PRC.



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It is also stated in Circular 7 that, an indirect transfer of PRC Taxable Properties shall be deemed to have reasonable commercial purpose if it meets all of the following conditions: (i) parties to the indirect transfer have one of the following equity-holding relationships: (a) the transferor, directly or indirectly, holds over 80% of the equity interest in the transferee; (b) the transferee, directly or indirectly, holds over 80% of the equity interest in the transferor; or (c) over 80% of the equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore company derives directly or indirectly more than 50% of its value from real estate in the PRC, the equity-holding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity-holding percentage at each level; (ii) the indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from a potential subsequent indirect transfer of the same PRC Taxable Properties; and (iii) the transferee pays the consideration for the indirect transfer solely in the form of its shares or the shares of entities of which the transferee is a controlling shareholder (excluding shares of publicly listed companies).

### *Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises*

Pursuant to the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-resident Enterprises (國家稅務總局公告2017年第37號—關於非居民企業所得稅源泉扣繳有關問題的公告) (the “**Announcement**”), which was issued on 17 October 2017 and came into effect on 1 December 2017, it applies to relevant matters on the withholding of EIT at source on non-resident enterprises in accordance with Articles 37, 39 and 40 of the EIT Law. This Announcement shall not apply to matters relating to the implementation of Article 38 of the EIT Law.

Under the Announcement, “income from property transfer” shall include income from the transfer of equities and equity investment assets (the “**equities**”). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from an equity transfer.

Compared to previous regulations on withholding at income source, the most significant changes brought by the Announcement include the following:

- (i) where a non-resident enterprise derives income from dividends, bonuses or other equity investments, withholding of the relevant payable taxes shall be made on the date of the actual payment of the income;
- (ii) where a non-resident enterprise obtains payment in installments for a property transfer, the funds collected in installments may be first deemed as recovered property investment costs, and the taxes shall be calculated and withheld after all costs are recovered;
- (iii) where the EIT due or the EIT to be withheld is made or denominated in a foreign currency, the foreign currency shall be converted into RMB in accordance with the applicable timing rule; and
- (iv) abolished a provision under which if a withholding agent fails to withhold in accordance with laws or is unable to fulfill its withholding obligations, a non-resident enterprise shall, within seven days from the date of equity transfer stipulated in the contract or agreement, declare and pay EIT to the competent taxation authority. If the transferor obtains the equity transfer

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## REGULATORY OVERVIEW

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income in advance, the date should be the actual date of payment. The taxation authority refers to the authority responsible for the collection and management of EIT from the resident enterprise whose equity is transferred.

### PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND LABOR

#### *Labor Law of the PRC*

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by the Standing Committee of the NPC on 5 July 1994 with an effective date of 1 January 1995 and was last amended on 27 August 2009 and the Labor Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated on 29 June 2007, became effective on 1 January 2008 and was last amended on 28 December 2012 with the amendments coming into effect on 1 July 2013, enterprises and institutions shall ensure the safety and hygiene of a workplace, strictly comply with applicable rules and standards on workplace safety and hygiene in China, and educate employees on such rules and standards. Furthermore, employers and employees shall enter into written employment contracts to establish their employment relationships. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned. Employers shall pay remuneration to employees on time and in full accordance with the commitments set forth in their employment contracts and with the relevant PRC laws and regulations.

#### *Social Insurance and Housing Provident Fund*

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee of the NPC on 28 October 2010 and became effective on 1 July 2011, and the Regulations on Management of Housing Provident Fund (住房公積金管理條例), which were promulgated by the State Council on 3 April 1999 and were last amended on 24 March 2002, employers in the PRC shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund.

### PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

#### *The Administrative Regulations of the PRC on Foreign Exchange*

The principal regulation governing foreign currency exchange in the PRC is the Administrative Regulations of the PRC on Foreign Exchange (中華人民共和國外匯管理條例) (the “**Foreign Exchange Regulations**”), which were promulgated on 29 January 1996, became effective on 1 April 1996 and were last amended on 5 August 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval by competent authorities for the administration of foreign exchange is obtained. Under the Foreign Exchange Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE to pay dividends by providing certain evidentiary documents, including board resolutions, tax certificates, or for trade- and services-related foreign exchange transactions, by providing commercial documents evidencing such transactions.

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### *Circular 75, Circular 37 and Circular 13*

Circular 37 was released by SAFE on 4 July 2014 and abolished Circular 75 which had been in effect since 1 November 2005. Pursuant to Circular 37, a PRC resident should apply to SAFE for foreign exchange registration of overseas investments before it makes any capital contribution to an SPV using his or her legitimate domestic or offshore assets or interests. SPVs are offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing domestic or offshore assets or interests they legally hold. 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 SAFE. Where an SPV intends to repatriate funds raised after completion of 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 in accordance with 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 complete 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 statements, 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.

Circular 13 was issued by SAFE on 13 February 2015, and became effective on 1 June 2015. Pursuant to Circular 13, a domestic resident who makes a capital contribution to an SPV using his or her legitimate domestic or offshore assets or interests is no longer required to apply to SAFE for foreign exchange registration of his or her overseas investments. Instead, he or she shall register with a bank in the place where the assets or interests of the domestic enterprise in which he or she has interests are located if the domestic resident individually seeks to make a capital contribution to the SPV using his or her legitimate domestic assets or interests; or he or she shall register with a local bank at his or her permanent residence if the domestic resident individually seeks to make a capital contribution to the SPV using his or her legitimate offshore assets or interests.

### *Circular 19 and Circular 16*

Circular 19 was promulgated by SAFE on 30 March 2015, and became effective on 1 June 2015. According to Circular 19, foreign exchange capital of foreign-invested enterprises shall be granted the benefits of Discretionary Foreign Exchange Settlement (“**Discretionary Foreign Exchange Settlement**”). With Discretionary Foreign Exchange Settlement, foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau, or for which book-entry registration of monetary contribution has been completed by the bank, can be settled at the bank based on the actual operational needs of the foreign-invested enterprise. The allowed Discretionary Foreign Exchange Settlement percentage of the foreign exchange capital of a foreign-invested enterprise has been temporarily set to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make any further payment from such account, it will still need to provide supporting documents and to complete the review process with its bank.

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Furthermore, Circular 19 stipulates that foreign-invested enterprises shall make bona fide use of their capital for their own needs within their business scopes. The capital of a foreign-invested enterprise and the Renminbi if obtained from foreign exchange settlement shall not be used for the following purposes:

- directly or indirectly used for expenses beyond its business scope or prohibited by relevant laws or regulations;
- directly or indirectly used for investment in securities unless otherwise provided by relevant laws or regulations;
- directly or indirectly used for entrusted loan in Renminbi (unless within its permitted scope of business), repayment of inter-company loans (including advances by a third party) or repayment of bank loans in Renminbi that have been sub-lent to a third party; and
- directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for foreign-invested real estate enterprises).

Circular 16 was issued by SAFE on 9 June 2016. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange capital items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis applicable to all enterprises registered in the PRC. Circular 16 reiterates the principle that an enterprise's Renminbi converted from foreign currency-denominated capital may not be directly or indirectly used for purposes beyond its business scope or purposes prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to non-affiliated entities.

### REGULATIONS ON THE CHANGE OF EQUITY INTERESTS OF INVESTORS OF FOREIGN-INVESTED ENTERPRISES

Xiamen Byleasing was previously a Sino-foreign joint venture company with limited liability but has been reorganized as a WFOE since 10 November 2017.

The Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (the “**Measures**”) (外商投資企業設立及變更備案管理暫行辦法), which were promulgated by MOFCOM on 8 October 2016, and were last amended on 30 July 2017 with immediate effect, apply to the formation and modification of foreign-funded enterprises that are not subject to special administrative measures for access as prescribed by the state. The modifications of a foreign-invested enterprise subject to recordation as prescribed in the Measures include: (i) modification of the basic information of the foreign-invested enterprise; (ii) modification of the basic information of any investors of the foreign-invested enterprise; (iii) modification of the equity (shares) and cooperation interests; (iv) merger, division and termination; (v) mortgage or transfer of the property or rights and interests of a WFOE; (vi) accelerated recovery of investment by a foreign party of a Sino-foreign contractual JV; (vii) appointment of a third party to manage a Sino-foreign contractual JV.

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The competent departments of commerce of all provinces, autonomous regions, municipalities directly under the Central Government, cities under separate state planning, the Xinjiang Production and Construction Corps (新疆生產建設兵團), and sub-provincial cities, and relevant institutions in pilot free trade areas and state-level economic and technological development zones, as the recordation authorities for the formation and modification of foreign-funded enterprises, shall be responsible for the recordation administration of the formation and modification of foreign-funded enterprises within their jurisdictions.

A recordation authority shall complete recordation through the integrated foreign investment management information system (the “**integrated management system**”).

Xiamen Byleasing has completed recordation through the integrated management system and obtained a recordation receipt for the modification of a foreign-invested enterprise for its reorganization from a Sino-foreign joint venture company with limited liability to a WFOE.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### *Overview*

Our history can be traced back to March 2010 when Xiamen Byleasing, our principal operating subsidiary, was established in Xiamen City as a Sino-foreign joint venture limited liability company with a registered capital of US\$10,000,000. The registered capital was fully paid up in May 2010. At the time of its inception, Xiamen Byleasing was held as to 45.0% by Septwolves Group Holding, 25.0% by Hoi Pok HK (as defined below), 20.0% by Xiamen Jiuhe and 10.0% by Xiamen Shengshi. Xiamen Byleasing primarily offered finance leasing services to its customers. To a lesser degree, it also provides factoring services and value-added advisory services to its customers.

Septwolves Group Holding, one of our founders, was established by Fujian Septwolves Group, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong, Mr. Zhou Shaoming, Ms. Chen Pengling, Ms. Chen Jincong (陳金聰) and Ms. Yao Jianyan (姚健艷) in February 2000 and has been engaging in investment and capital management business since then. Mr. Huang Dake, the controlling shareholder of one of our founders, Xiamen Jiuhe, has served as the general manager of Xiamen Byleasing since its inception. Mr. Huang Dake has been in the finance leasing industry since 2000. He is also a well-known professional in the finance leasing industry. His experience has contributed to the development of our Group. For details, see “Directors and Senior Management — Directors — Executive Directors” in this Prospectus.

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 June 2017. On 10 November 2017, Septwolves Financial Holding, a wholly-owned subsidiary of Byleasing Capital, which is in turn a wholly-owned subsidiary of the Company, acquired 75% of the equity interest in Xiamen Byleasing from its then shareholders as part of the Reorganization. Upon completion of the Reorganization as detailed in “— Reorganization” below, the Company became the ultimate holding company of our Group for the purpose of the Listing and holds the entire interests of three subsidiaries, namely Byleasing Capital, Septwolves Financial Holding and Xiamen Byleasing.

Since our inception, we have endeavored to serve customers from the manufacturing industry by fulfilling their evolving financing needs. Over the years, we have developed knowledge and experience in meeting the financing needs of customers from certain key sectors in the manufacturing industry, such as textile and apparels and special-purpose equipment. SMEs and entrepreneurial individuals in these sectors have had continuous financing needs unmet by traditional sources of financing. Since our inception, we had over 1,000 customers located in over 20 provinces.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Business Milestones*

The following is a summary of our Group's key business development milestones:

| <u>Year</u>    | <u>Key Milestones</u>   |
|----------------|---|
| 2010 . . . . . | We were established in Xiamen City as a Sino-foreign joint venture finance leasing company with limited liability.                            |
| 2011 . . . . . | We obtained the Concurrent-business Insurance Agency Qualification (保險兼業代理人資格). <sup>(1)</sup>  |
| 2012 . . . . . | We were awarded the Emerging Force Award (新生力量獎) by National Finance Leasing Industry Association (全國融資租賃行業協會).                               |
| 2014 . . . . . | We initiated the establishment of China Finance Leasing Research Institute (中國融資租賃研究院), a subordinate unit of the People's Bank of China.     |
| 2015 . . . . . | Our registered office in China was relocated to Fujian Free Trade Area Xiamen Sub-area and we were permitted to carry out factoring business. |

We completed the recordation procedure for Class II medical devices.

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#### *Note:*

- (1) Equipment under finance leasing require insurance protection. With the Concurrent-business Insurance Agency Qualification, we are able to provide insurance agency services by referring customers to insurance companies in return for commission fees.

### **EVOLUTION OF OUR GROUP**

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

#### *The Company*

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 June 2017, with an initial authorized share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On 5 June 2017, one subscriber share was transferred to Septwolves Holdings and on the same date, 5,874, 1,875, 1,125, 750 and 375 Shares were allotted and issued as fully paid to Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital, respectively, at par. As of the Latest Practicable Date, the Company was owned as to 58.75%, 18.75%, 11.25%, 7.5% and 3.75%, by Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital, respectively, and held the entire issued share capital of Byleasing Capital.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Byleasing Capital*

Byleasing Capital was incorporated in the BVI with limited liability on 15 June 2017, with an authorized share capital of 50,000 shares with no par value, of which 100 shares were allotted and issued as fully paid to the Company. Byleasing Capital is principally engaged in investment holding. As of the Latest Practicable Date, Byleasing Capital was an intermediate holding company directly wholly-owned by the Company and held the entire issued share capital of Septwolves Financial Holding.

### *Septwolves Financial Holding*

Septwolves Financial Holding was incorporated in Hong Kong with limited liability on 8 January 2015, with an issued share capital of RMB100,000,000 divided into 500,000,000 shares which were allotted and issued as fully paid or regarded as fully paid to Septwolves Group Holding on the date of its incorporation. After the Reorganization, Septwolves Financial Holding is principally engaged in investment holding. As of the Latest Practicable Date, Septwolves Financial Holding was an intermediate holding company directly wholly-owned by Byleasing Capital and held the entire equity interest in Xiamen Byleasing.

### *Xiamen Byleasing*

Xiamen Byleasing, our principal operating subsidiary, was established in Xiamen City on 9 March 2010 as a Sino-foreign joint venture company with limited liability with a registered capital of US\$10,000,000. The registered capital was fully paid up in May 2010. At the time of its inception, Xiamen Byleasing was held as to 45.0% by Septwolves Group Holding, 25.0% by Hoi Pok (Hong Kong) Trading Company. (海博(香港)貿易公司) (“**Hoi Pok HK**”), 20.0% by Xiamen Jiuheng and 10.0% by Xiamen Shengshi. Xiamen Byleasing was licensed to engage in finance leasing business, leasing business, purchase of leased property from home and abroad, disposal or maintenance of leased properties, and consultation and guarantee to leasing transactions.

To expand the scale of operation of Xiamen Byleasing, on 22 April 2011, the board of directors of Xiamen Byleasing resolved to increase the registered capital of Xiamen Byleasing from US\$10,000,000 to US\$12,500,000 and such US\$2,500,000 increase shall be subscribed for by Xiamen Zijiang in cash. Upon completion of such capital increase on 8 June 2011, Xiamen Byleasing was owned as to 36.0% by Septwolves Group Holding, 20.0% by Hoi Pok HK, 20.0% by Xiamen Zijiang, 16.0% by Xiamen Jiuheng and 8.0% by Xiamen Shengshi.

On 6 September 2015, the board of directors of Xiamen Byleasing resolved to further increase the registered capital of Xiamen Byleasing from US\$12,500,000 to US\$13,333,000 and such US\$833,000 increase shall be subscribed for by Hoi Pok HK in cash. Upon completion of such capital increase on 23 September 2015, Xiamen Byleasing was owned as to 33.75% by Septwolves Group Holding, 25.0% by Hoi Pok HK, 18.75% by Xiamen Zijiang, 15.0% by Xiamen Jiuheng and 7.5% by Xiamen Shengshi.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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To further expand the scale of operation of Xiamen Byleasing, on 30 April 2016, the board of directors of Xiamen Byleasing resolved to: (i) change the currency of the registered capital from U.S. dollar to Renminbi at the exchange rate as of the dates when the capital was paid; (ii) increase the registered capital of Xiamen Byleasing from US\$13,333,000 (equivalent to RMB89,799,712) to RMB132,000,000, and of such RMB42,200,288 increase, RMB11,806,287.96 shall be contributed by capital reserve, and RMB30,394,000 shall be contributed by undistributed profit; and (iii) approve the equity transfer from Hoi Pok HK to Septwolves Financial Holding according to a share transfer agreement dated 30 April 2016, pursuant to which Hoi Pok HK transferred all its equity interest in Xiamen Byleasing to Septwolves Financial Holding (a wholly-owned subsidiary of Septwolves Group Holding at that time) at the consideration of RMB33,237,280.16. Upon completion of such capital increase and share transfer on 13 July 2016, Xiamen Byleasing was owned as to 33.75% by Septwolves Group Holding, 25.0% by Septwolves Financial Holding, 18.75% by Xiamen Zijiang, 15.0% by Xiamen Jiuhe and 7.5% by Xiamen Shengshi.

On 16 December 2016, the board of directors of Xiamen Byleasing resolved to convert Xiamen Byleasing into a Sino-foreign joint stock limited company in the PRC with a registered capital of RMB132,000,000 divided into 132,000,000 shares with a par value of RMB1.00 each. Upon completion of the conversion, Xiamen Byleasing was held as to 33.75% by Septwolves Group Holding, 25.0% by Septwolves Financial Holding, 18.75% by Xiamen Zijiang, 15.0% by Xiamen Jiuhe and 7.5% by Xiamen Shengshi. Xiamen Byleasing was licensed to engage in finance leasing business, leasing business, purchase of leased property from home and abroad, disposal and maintenance of residual value of leased properties, and consultation and guarantee to leasing transactions, insurance brokerage and agency services (corporate property insurance), and factoring business relating to its principal business (only to companies in Fujian Free Trade Area).

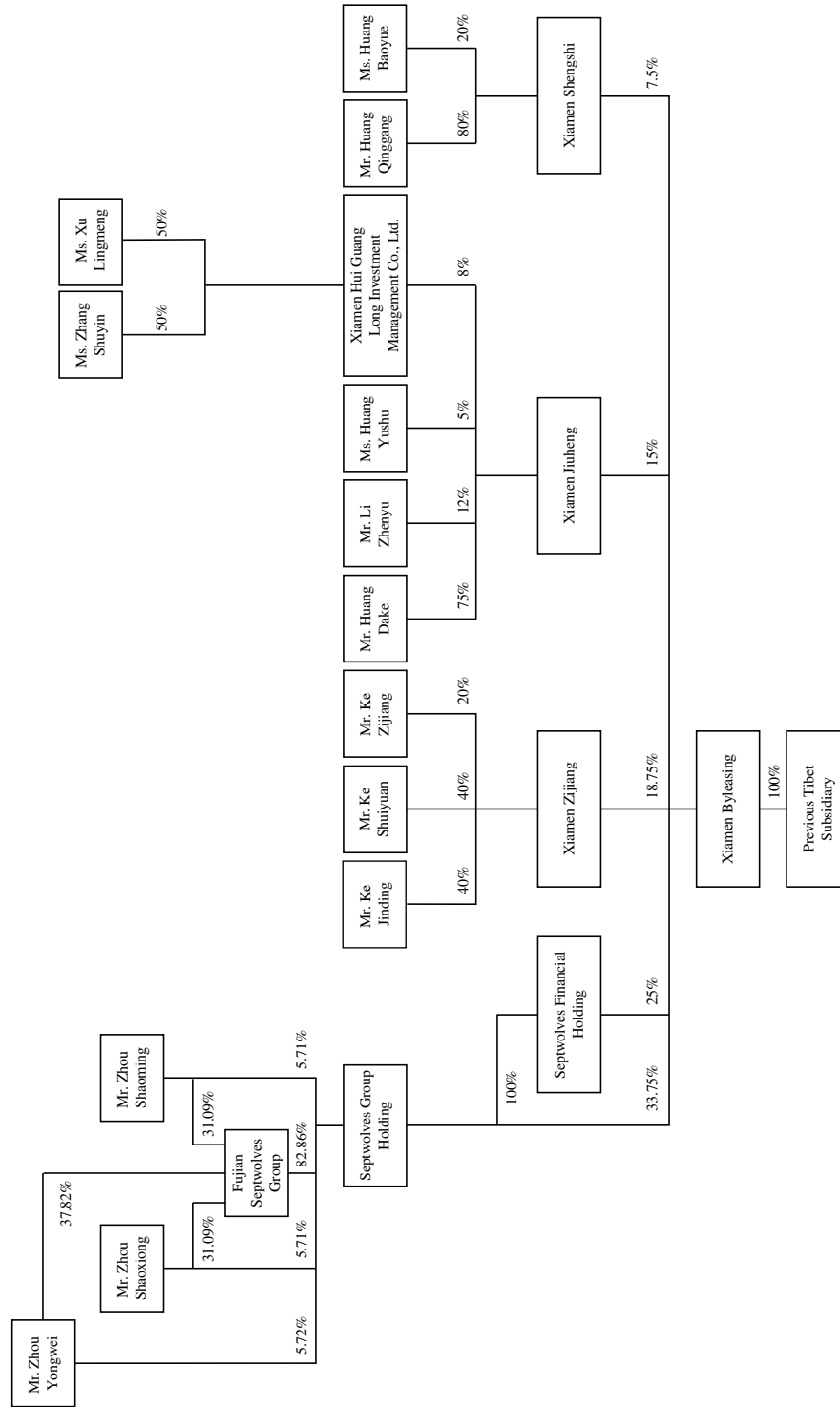
On 4 May 2017, the general meeting of Xiamen Byleasing resolved to convert Xiamen Byleasing into a limited liability company in the PRC with a registered capital of RMB132,000,000. Upon completion of the conversion on 31 May 2017, Xiamen Byleasing was held as to 33.75% by Septwolves Group Holding, 25.0% by Septwolves Financial Holding, 18.75% by Xiamen Zijiang, 15.0% by Xiamen Jiuhe and 7.5% by Xiamen Shengshi.

On 26 October 2017, the board of directors of Xiamen Byleasing resolved to (i) increase the registered capital of Xiamen Byleasing from RMB132,000,000 to RMB168,000,000, and such RMB36,000,000 increase shall be contributed by undistributed profit; and (ii) change the term of operation from long term to 30 years (as from the issuance of the new business license). Upon completion of such capital increase on 2 November 2017, Xiamen Byleasing was held as to 33.75% by Septwolves Group Holding, 25.0% by Septwolves Financial Holding, 18.75% by Xiamen Zijiang, 15.0% by Xiamen Jiuhe and 7.5% by Xiamen Shengshi.

**REORGANIZATION**

In preparation for the Listing, we carried out a series of Reorganization steps in order to establish an offshore and onshore shareholding structure through which the Company will hold the entire equity interest in Xiamen Byleasing in China.

Below sets forth the corporate structure of our Group immediately before the Reorganization:



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Onshore Reorganization*

The onshore part of the Reorganization consisted of the following major steps:

1. Xiamen Byleasing was reorganized as a Sino-foreign joint venture company with limited liability from a Sino-foreign joint stock limited company on 31 May 2017. Pursuant to the PRC Company Law, the shares of a joint stock limited company held by the promoters of such company shall not be transferred within one year after the date of the establishment of the company. As a Sino-foreign joint stock limited company in the PRC, Xiamen Byleasing was subject to such limitation. However, as approved by the relevant AIC, Xiamen Byleasing was approved to reorganize as a Sino-foreign joint venture company with limited liability on 31 May 2017.
2. On 10 November 2017, Septwolves Financial Holding acquired 75% of the equity interest in Xiamen Byleasing at the total consideration of RMB130.50 million from the then shareholders of Xiamen Byleasing, namely Septwolves Group Holding, Xiamen Zijiang, Xiamen Jiuhe and Xiamen Shengshi. The consideration was determined with reference to the net assets value of approximately RMB170.13 million of Xiamen Byleasing as of 31 July 2017 based on the valuation conducted by an independent professional valuer. Such transfer took effect on 10 November 2017. As a result, Xiamen Byleasing became a direct wholly-owned subsidiary of Septwolves Financial Holding.
3. On 16 November 2017, Xiamen Byleasing entered into the Disposal Agreement<sup>(1)</sup> with an Independent Third Party<sup>(2)</sup>, to dispose of 100% of the equity interest in the Previous Tibet Subsidiary at the total consideration of RMB100,000. The consideration was determined with reference to the registered capital of RMB100,000. Such disposal took effect on 16 November 2017. As a result, the Previous Tibet Subsidiary ceased to be part of our Group

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#### *Notes:*

- (1) The purpose of setting up the Previous Tibet Subsidiary was mainly to conduct advisory business and take advantage of the preferential tax treatment in Tibet. But as (i) the preferential tax treatment in Tibet had been gradually phased out, and (ii) it was difficult to manage the operation of the Previous Tibet Subsidiary due to its remote geographical location which called for the engagement of a third-party agent or sending a person from Xiamen to Tibet for the timely communication with Tibet's local government, the Previous Tibet Subsidiary did not meet the original expectation of our Group. Therefore, after considering the advantages and disadvantages to maintain the operation of the Previous Tibet Subsidiary, our Group decided to dispose of the Previous Tibet Subsidiary as part of the Reorganization. The only ongoing consulting business being conducted by the Previous Tibet Subsidiary had been transferred to Xiamen Byleasing prior to the disposal. At the time of disposal, the Previous Tibet Subsidiary had no outstanding business or obligation to provide any service. As confirmed by our Directors after due and careful enquiry, up to the date of the disposal: (i) there had been no material non-compliance incidents concerning the Previous Tibet Subsidiary which were likely to have a material adverse impact on the Group's business or financial condition or the results of its operations; and (ii) there had been no litigation, arbitration or other legal proceedings against the Previous Tibet Subsidiary which were likely to have a material adverse effect on the operation of our Group.
- (2) Mr. Hong Guorong ("Mr. Hong"), the ultimate beneficial owner of this Independent Third Party, and our three individual Controlling Shareholders have known each other well for a long time and have existing business cooperation such as joint investment in certain PRC companies and/or such ultimate beneficial owner serving as a director and/or general manager in certain PRC companies which are either controlled or invested directly or indirectly by Fujian Septwolves Group, Septwolves Group Holding and/or Mr. Zhou Shiyuan. Mr. Hong had also been a minority shareholder holding not more than 5% of the equity interest of Fujian Septwolves Group from December 2001 to September 2016 and a director of Fujian Septwolves Group from December 2001 to December 2017. He is not a connected person of the Company within the meaning of the GEM Listing Rules and is an Independent Third Party to the Company.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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since 16 November 2017. The operating cash flows before working capital changes recorded by the Previous Tibet Subsidiary for the year ended 31 December 2016 and from 1 January 2017 up to 15 November 2017 were a negative figure of RMB456 and a positive figure of RMB1,440,531, respectively. During the Track Record Period, the Previous Tibet Subsidiary and Xiamen Byleasing only entered into one advisory agreement with one customer in 2016, which generated revenue of RMB2.5 million for the year ended 31 December 2017, among which RMB1.5 million was recorded by the Previous Tibet Subsidiary before it was disposed of by our Group in November 2017. Among the net profit of our Group for the year ended 31 December 2017, the Previous Tibet Subsidiary contributed RMB1.3 million from the advisory services. Our Group recorded a loss of RMB49,677 from the disposal of the Previous Tibet Subsidiary for the year ended 31 December 2017.

### *Offshore Reorganization*

The offshore part of the Reorganization consisted of the following major steps:

1. On 26 May 2017, Septwolves Holdings was incorporated in BVI as a limited company with an authorized share capital of 50,000 shares with no par value, of which 3,706 shares, 3,147 shares and 3,147 shares were allotted and issued as fully paid to Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. As a result, Septwolves Holdings was owned as to 37.06%, 31.47% and 31.47% by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively.
2. On 26 May 2017, Zijiang Capital was incorporated in BVI as a limited company with an authorized share capital of 50,000 shares with no par value, of which 40 shares, 40 shares and 20 shares were allotted and issued as fully paid to Mr. Ke Jinding, Mr. Ke Shuiyuan and Mr. Ke Zijiang, respectively. As a result, Zijiang Capital was owned as to 40.0%, 40.0% and 20.0% by Mr. Ke Jinding, Mr. Ke Shuiyuan and Mr. Ke Zijiang, respectively.
3. On 26 May 2017, HDK Capital was incorporated in BVI as a limited company with an authorized share capital of 50,000 shares with no par value, of which 100 shares was allotted and issued as fully paid to Mr. Huang Dake.
4. On 26 May 2017, Shengshi Capital was incorporated in BVI as a limited company with an authorized share capital of 50,000 shares with no par value, of which 80 shares and 20 shares were allotted and issued as fully paid to Mr. Huang Qinggang and Ms. Huang Baoyue, respectively. As a result, Shengshi Capital was owned as to 80.0 % and 20.0% by Mr. Huang Qinggang and Ms. Huang Baoyue, respectively.
5. On 26 May 2017, MARX Capital was incorporated in BVI as a limited company with an authorized share capital of 50,000 shares with no par value, of which 48 shares, 32 shares and 20 shares were allotted and issued as fully paid to Mr. Li Zhenyu, Ms. Xu Lingmeng and Ms. Huang Yushu, respectively. As a result, MARX Capital was owned as to 48.0%, 32.0% and 20.0% by Mr. Li Zhenyu, Ms. Xu Lingmeng and Ms. Huang Yushu, respectively.

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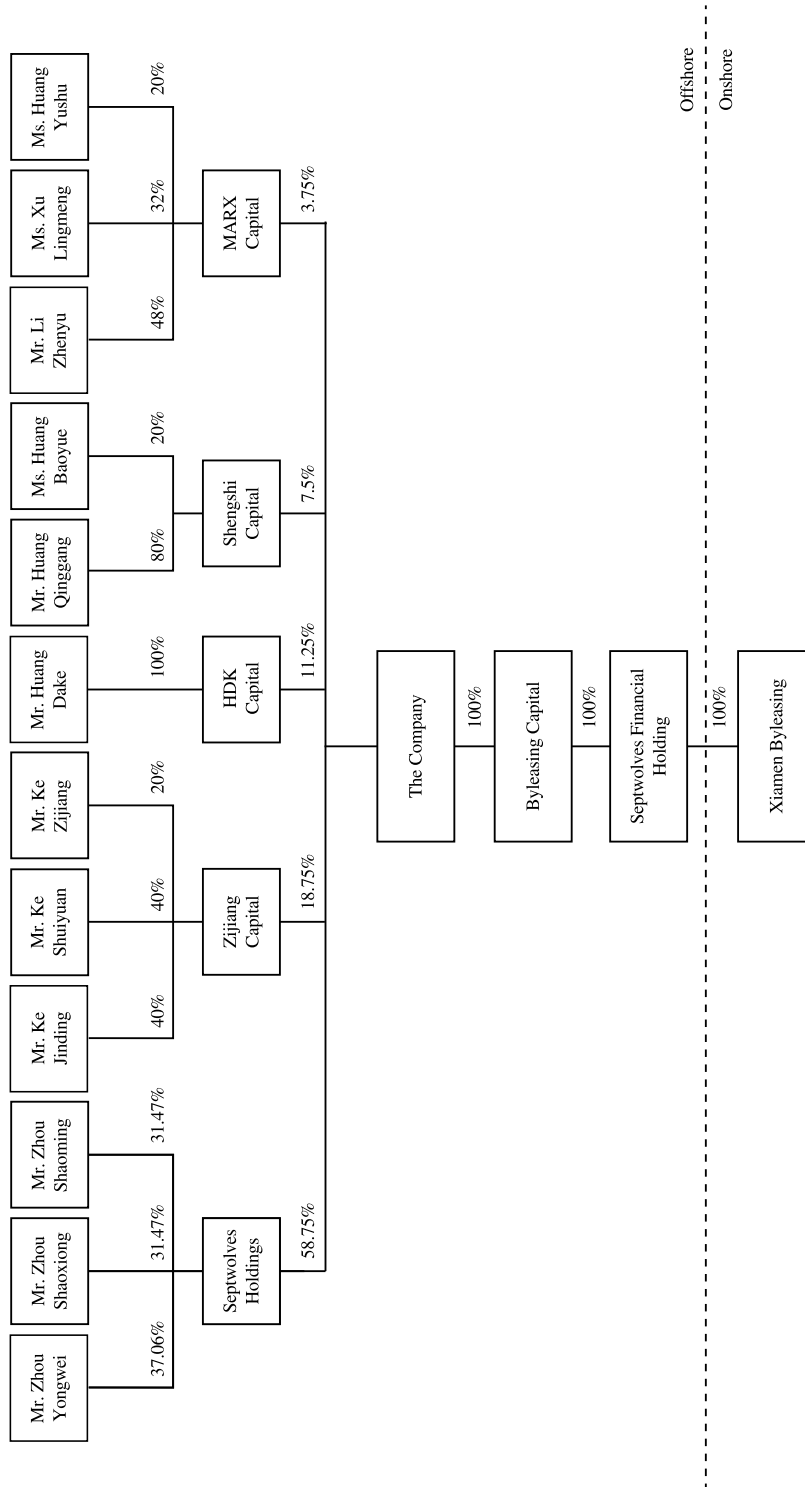
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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6. On 5 June 2017, the Company issued 5,875 Shares, 1,875 Shares, 1,125 Shares, 750 Shares and 375 Shares to Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital at par, respectively. As a result, the Company was owned as to 58.75%, 18.75%, 11.25%, 7.5% and 3.75%, by Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital, respectively.
7. On 23 October 2017, the Company allotted and issued 5,875 Shares, 1,875 Shares, 1,125 Shares, 750 Shares and 375 Shares to Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital, respectively, for a consideration of HK\$122,200,000, HK\$39,000,000, HK\$23,400,000, HK\$15,600,000 and HK\$7,800,000, respectively. Following such issue of Shares and since then, the Company has been owned as to 58.75%, 18.75%, 11.25%, 7.5% and 3.75% by Septwolves Holdings, Zijiang Capital, HDK Capital, Shengshi Capital and MARX Capital, respectively.
8. On 27 October 2017, Byleasing Capital acquired the entire issued share capital of Septwolves Financial Holding from the then sole shareholder, Septwolves Group Holding and assumed its rights and obligations as sole shareholder at the total consideration of HK\$129,457,168. The said acquisition took effect on 27 October 2017 and since then, Septwolves Financial Holding became a wholly-owned subsidiary of Byleasing Capital.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The above steps of the Reorganization were completed on 16 November 2017. The following diagram shows the shareholding and corporate structure of our Group immediately after the completion of the Reorganization but before the completion of the Capitalization Issue and the Share Offer:

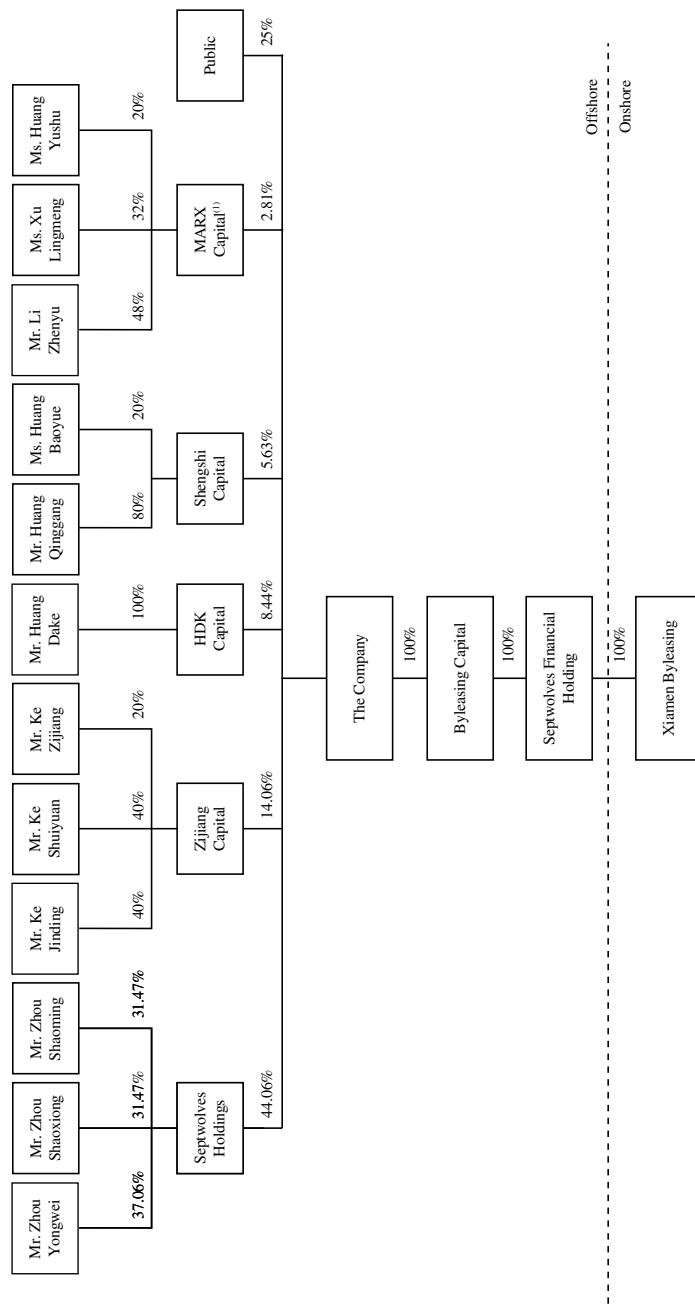


# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## CAPITALIZATION ISSUE AND SHARE OFFER

Conditional upon the creation of the Company's share premium account as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorized to capitalize an amount of HK\$2,024,800 standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of 202,480,000 Shares for allotment and issue to the then existing Shareholders.

The following diagram shows the shareholding and corporate structure of our Group immediately after the completion of the Capitalization Issue and the Share Offer, assuming the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised:



*Note:*

- (1) MARX Capital and its shareholders (Mr. Li Zhenyu, Ms. Xu Lingmeng and Ms. Huang Yushu) are Independent Third Parties. Hence, the Shares to be held by MARX Capital upon the completion of the Capitalization Issue and the Share Offer will be counted towards the public float of the Company upon Listing.

### PRC LEGAL COMPLIANCE

#### *SAFE Registration in the PRC*

According to Circular 37, special purpose vehicle (the “SPV”) refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interest of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. Circular 37 further requires timely amendments to the registration for any major change in respect of the SPV, including, among other things, any major change of the SPV’s PRC resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV’s registered capital contributed by the PRC domestic resident, share transfer or swap, and merger or division.

Our PRC Legal Advisers have confirmed that Mr. Zhou Yongwei, Mr. Zhou Shaoxiong, Mr. Zhou Shaoming, Mr. Ke Shuiyuan, Mr. Ke Jinding, Mr. Ke Zijiang, Mr. Huang Dake, Mr. Li Zhenyu, Ms. Huang Yushu, Ms. Xu Lingmeng, Mr. Huang Qinggang and Ms. Huang Baoyue, being PRC individual residents and beneficial owners of our Group, have completed their registrations as required under Circular 37, respectively.

#### *M&A Rules*

On 8 August 2006, six PRC governmental and regulatory agencies, being MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, CSRC, SAIC and SAFE jointly promulgated the Provisions on the 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 amended on 22 June 2009. According to Article 11 of the M&A Rules, where a domestic individual person intends to take over his related domestic company in the name of an offshore company which he lawfully controls, the takeover shall be subject to the examination and approval of MOFCOM. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribe 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 enterprises. As Xiamen Byleasing was established as a foreign-invested enterprise, the M&A Rules do not apply to Xiamen Byleasing.

Our PRC Legal Advisers have also confirmed that we have complied with all applicable PRC rules and regulations and have obtained all relevant approvals from the relevant competent governmental authorities for the Reorganization and that we are not required to obtain approvals from CSRC, MOFCOM or other relevant authorities for the Reorganization and the Listing.



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### OVERVIEW

We are a finance leasing company in Fujian Province dedicated to providing equipment-based financing solutions to our customers. Our customers are mainly SMEs and entrepreneurial individuals. Our customers also include reputable large enterprises. According to Frost & Sullivan, we were the sixth largest licensed finance leasing company, with a market share of 1.1%, in terms of revenue in Fujian Province, China's tenth largest province by GDP, in 2017. We primarily offered equipment-based finance leases, the term of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.3 million to RMB20.0 million, during the Track Record Period. To a lesser extent, we also provided factoring services and value-added advisory services to our customers. During the Track Record Period, we derived substantially all of our revenue from our finance leasing business, which contributed to 98.5% and 91.6% of our revenue for the years ended 31 December 2016 and 2017, respectively. Since our inception, we had over 1,000 customers located in over 20 provinces.

Since our inception, we have endeavored to serve customers from the manufacturing industry, by fulfilling their evolving financing needs. Over the years, we have developed knowledge and experience in meeting the financing needs of customers from certain key sectors in manufacturing industry, such as textile and apparels and special-purpose equipment. SMEs and entrepreneurial individuals in these sectors have had continuous financing needs unmet by traditional sources of financing. We expect that these customers will continue to demand for finance leasing services. We also believe that the continuing introduction of government policies that encourage the development and transition of traditional manufacturing industry towards high-end smart manufacturing in China creates favorable market opportunities for us. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment.

Our strong shareholder base, which is led by Fujian Septwolves Group and includes a leading enterprise based in Fujian Province, has contributed significantly to our stable growth and sound business operations. We strive to diversify our financing sources and primarily fund our operations and expansions through interest-bearing borrowings, our Shareholders' equity and cash flows from our operations. Leveraging our successful track record and the support of our Shareholders, we were able to obtain borrowings from a number of PRC banks, including a state-owned policy bank and national commercial banks, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. Some of these banks have been working with us for more than five years and have seen the growth of our business. With an enlarged capital base, we will be able to further expand our business operations and serve more customers.

We are led by a committed senior management team with solid industry experience, enabling us to achieve continued growth and success. We believe that our management team's vision and comprehensive knowledge of our industry have allowed us to effectively formulate and implement business strategies, evaluate and manage risks, anticipate industry developments and capitalize on market opportunities. With their supervision, we have implemented a comprehensive and effective risk management system with stringent procedures and measures in place, including multi-level assessments and approval processes, to offer our customers customized repayment plans and interest rates based on their respective credit profiles and historical transaction records. We believe that the risk management system we have in place is effective in reducing our exposure to the various risks inherent in our operations.

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We experienced rapid growth during the Track Record Period. Our revenue increased from RMB39.9 million for the year ended 31 December 2016 to RMB60.8 million for the year ended 31 December 2017. Our profit for the year increased from RMB15.0 million for the year ended 31 December 2016 to RMB20.7 million for the year ended 31 December 2017.

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are key factors contributing to our success:

*We are well poised to capitalize on business opportunities and market potential in our industry.*

We were established in 2010 in Xiamen City, Fujian Province. We focus on the financing needs of SMEs and entrepreneurial individuals in the manufacturing industry in Fujian Province. As the tenth largest province in China in terms of GDP in 2016, Fujian Province is home to a significant number of private manufacturing and services companies and has seen strong continued growth in the number of SMEs, according to Frost & Sullivan. According to Frost & Sullivan, the per capita nominal GDP of Fujian Province increased from RMB52,763 in 2012 to RMB82,976 in 2017, with a CAGR of 9.5%. The Fujian provincial government subsequently implemented a series of financial reform policies and measures with the aim of developing and cultivating the local financial services sector, channeling private capital to support the financing needs of SMEs and entrepreneurial individuals. In September 2015, the General Office of the People's Government of Fujian Province promulgated the Guiding Opinion on Accelerating the Development of the Finance Leasing Industry in the Fujian Free Trade Area (關於支持福建自貿試驗區融資租賃業加快發展的指導意見) (“**Guiding Opinion**”), which set out the strategy to encourage the development of the finance leasing industry in Fujian Free Trade Area (中國(福建)自由貿易試驗區). We are registered in the Fujian Free Trade Area Xiamen Sub-area (中國(福建)自由貿易試驗區廈門片區) to enjoy a series of benefits and privileges exclusively for businesses operated in the sub-area. We are uniquely positioned to take advantage of, and will continue to take advantage of, the opportunities created by the Guiding Opinion. With years of experience serving SMEs and entrepreneurial individuals in Fujian Province, we believe that we have developed unparalleled knowledge about the region's economic growth patterns and economic policies.

In May 2015, to encourage the development and transition of China's manufacturing industry towards high-end smart manufacturing, the PRC Government introduced Made in China 2025, a ten-year guideline and equivalent of Industry 4.0, in a circular issued by the State Council. The Made in China 2025 initiative embraces the fourth industrial revolution and the concept of “smart manufacturing” to promote technological breakthroughs in ten key sectors, including the high-end automated machinery industry. The Made in China 2025 initiative promotes smart manufacturing in China and calls for the replacement of outdated manufacturing machinery. Such policy and trend create favorable market opportunities for us to provide equipment-based financing solutions to customers engaged in the manufacturing industry who have the needs for machinery upgrade and replacement. We believe that we will be able to continue to benefit from such initiative and further grow our business.

*We have a strong shareholder base, substantial financial strengths and a sound credit rating.*

Our strong shareholder base, which is led by Fujian Septwolves Group and includes a leading enterprise based in Fujian Province, has contributed significantly to our success. Their objective of gaining value through long-term and sustainable investments in our Group rather than short-term returns has contributed to our stable growth and sound business operations. Fujian Septwolves Group conducts

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diversified operations, including overseas investment, asset management, property management, and other related services. Fujian Septwolves Group enjoys sound reputation in various industries in China and has a strong capital base, which has enabled us to access external financial resources and expand our business. Leveraging our successful track record since our inception and the reputation of our Shareholders, we were able to obtain bank borrowings from a number of PRC banks, which include a state-owned policy bank and national commercial banks, during the Track Record Period. Such bank borrowings further enhanced our capital sufficiency and financial strength. We also obtained an entrusted loan from an Independent Third Party through a state-owned commercial bank in the PRC. Our interest-bearing borrowings bore contractual interest rates ranging from 4.35% to 6.24% on an annualized basis during the Track Record Period, which enabled us to optimize our financial leverage with favorable terms. By maintaining our continued access to funding, we have been and will continue to be able to offer diverse finance leasing services to retain existing customers and capture new business opportunities in the finance leasing industry.

In addition, we received an “AA+” customer rating for three consecutive years from 2014 to 2017 from a well-known national commercial bank in China. The evaluation for such rating had taken into consideration the risks relating to our operations and funding sources as well as our capital sufficiency. We believe that our proven stable business growth and sound credit rating have enabled us to differentiate ourselves from other finance leasing companies in Fujian Province.

*We adopt sound and effective risk management practices.*

Risk management is critical to the success of our business. Since our inception, we have gradually improved and enhanced our risk management and control measures. As a result, our default ratio decreased from 7.2% as of 31 December 2016 to 2.4% as of 31 December 2017.

Since our inception, we have adopted sound and effective strategies regarding risk management. We have implemented a comprehensive and effective risk management system with stringent procedures and measures in place, including multi-level assessments and approval processes, to offer our customers customized repayment plans and interest rates based on their respective credit profiles and historical transaction records. Meanwhile, given our flat management structure and our knowledge in the target industries as well as our focus on our customers’ business operations, our risk management and operating procedures are more efficient compared to the assessment and approval procedures of commercial banks and other traditional financial institutions. This has enabled us to respond to the financing needs of our customers in a timely manner. Our business managers are responsible for performing an initial review of the application materials submitted by customers, verifying the facts therein, and assessing the creditworthiness of such customers and their respective guarantors. Our risk management managers conduct parallel risk assessments. The final review and approval for applications will be carried out by our risk management committee (風控評審會) and our general manager respectively. By separating the investigation and evaluation of applications and risk assessment process from the approval process, we have been able to ensure the effectiveness of our risk management and risk control efforts. We generally conduct regular post-grant reviews to monitor our customers’ financial condition and the sustainability of their business operations on a quarterly basis. For details, see “— Risk Management” in this Prospectus.

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We believe that the risk management system we have in place is effective in reducing our exposure to the various risks inherent in our operations, and we continue to enhance our risk control procedures as part of our ongoing efforts to manage these risks as well as to maintain our high-quality portfolio of customers and minimize our exposure to losses even in the event of default by our customers.

***Our committed and experienced management team has in-depth industry knowledge that ensures the successful development of our business.***

We are led by a committed senior management team with solid industry experience, enabling us to achieve continued growth and success. Dr. Huang Dake (黃大柯博士), our executive Director and general manager, has more than 15 years of experience in the leasing industry. He is a well-known professional in the finance leasing industry and established Xiamen Byleasing in 2010. Mr. Zhang Zhaowei (張兆偉先生), our deputy general manager and head of the sales and marketing department, has approximately ten years of experience in the financing industry. Mr. Deng Huaxin (鄧華新先生), our deputy general manager and head of the risk management department, has more than 15 years of experience in legal compliance and risk management and more than five years of experience in the finance leasing industry. Our senior management team plays a vital role in our daily operations.

The insight and in-depth industry experience of our senior management team enable us to successfully develop business strategies, manage operational risks and seize business opportunities. Our senior management has played a key role in fostering a work environment that promotes responsibility and achievement. In addition, a majority of our business managers have worked in sizable commercial banks or other financial institutions, possess extensive experience in business, finance and risk management. Our performance-driven and motivated corporate culture offers our employees opportunities for career development and, moreover, encourages them to continuously provide customers with high-quality services as well as to source new business. We believe that our ability to retain professional and trustworthy personnel has also allowed us to maintain the high standards of our risk management system.

### **OUR BUSINESS STRATEGIES**

Our business objectives are to become a leading finance leasing company in China while maintaining an effective risk management system. We aim to increase our market share and strengthen our positioning in the finance leasing industry by pursuing the following key strategies:

***Continue to grow our finance leasing business by capitalizing on the growth opportunities of China's finance leasing industry***

We believe China's finance leasing industry is still underdeveloped, and still enjoys sustainable growth potential. With a market penetration rate of just 8.8% in 2016, China's finance leasing industry has significant potential for growth when compared to more developed markets, such as Britain and the United States, which have penetration rates of 33.7% and 21.5% in 2016, respectively, according to Frost & Sullivan. China's finance leasing industry has experienced a rapid growth since 2012. The contract balance has increased from RMB1.6 trillion in 2012 to RMB6.1 trillion in 2017, with a CAGR of 31.3%.

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In July 2014, the State Council promulgated the Guiding Opinion on Accelerating the Development of Producer Services Industry to Promote Industrial Structure Adjustment and Upgrading (關於加快發展生產性服務業促進產業結構調整升級的指導意見), under which the finance leasing industry was for the first time recognized as one of the key producer service industries that the PRC Government will provide official support to create a beneficial market environment. Immediately following the State Council's promulgation of the Guiding Opinion on Accelerating the Development of the Finance Leasing Industry (關於加快融資租賃業發展的指導意見) in August 2015, which provided a comprehensive guideline regarding the development of the finance leasing industry nationwide, in September 2015, the General Office of the People's Government of Fujian Province promulgated the Guiding Opinion, which set out the strategy to encourage the development of the finance leasing industry in the Fujian Free Trade Area. The Guiding Opinion also encouraged the development of finance leasing in sectors, such as intelligent equipment manufacturing, energy conservation and environmental protection, healthcare, transportation and infrastructure construction. Further, under the stimulus of the Belt and Road Initiative, companies from the infrastructure industry and manufacturing industry are actively seeking business cooperation in the neighboring countries. Positioned in Fujian Province, one of the key member provinces of the 21st-Century Maritime Silk Road, we believe that we will be able to take advantage of the Belt and Road Initiative and provide financial support to our customers for their overseas expansion.

In addition, we believe that there is substantial growth potential in market demand for our services arising from the growth of businesses invested by SMEs and entrepreneurial individuals as well as the development and transition of the manufacturing industry in China. We intend to continue to capitalize on growth opportunities in China's finance leasing industry by leveraging our industrial expertise, establishing presence in such industries and extending our customer network. We will continue to monitor market trends and the business needs of our customers to identify opportunities and determine the strategic direction of our financial services. We intend to continue to provide equipment-based financing solutions to our customers to satisfy their specific and evolving needs and business expansion plans. We plan to market our services to a wider group of equipment suppliers by participating in domestic trade shows, attending industry associations' events and visiting industry parks to increase our exposure and gather market intelligence. In addition, we plan to establish strategic partnerships with certain well-recognized equipment suppliers with a nationwide presence.

### ***Further enlarge our capital base and diversify our funding sources***

Due to the capital-intensive nature of the finance leasing business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding, ability to minimize the costs of funding and ability to expand our capital base.

Subsequent to the Share Offer, with improved gearing ratio, enlarged capital base and enhanced creditworthiness, we intend to obtain additional long-term borrowings from banks to further enlarge our capital base. We will also increase our participation in the domestic and international capital markets to further diversify our funding sources. With our stronger capital base and increased credit lines as well as other financing alternatives, we will be able to enhance our financial strengths and further expand our business scale and outreach to serve more customers by providing leases at more competitive interest rates and lease term.

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### *Expand our customer base in additional industries and sectors with growth potential and increase market penetration within our target industries through focused sales and marketing efforts*

We primarily offer equipment-based finance leasing solutions to our customers. Over the years, we have developed knowledge and experience in meeting the financing needs of customers from certain key sectors in the manufacturing industry, such as textile and apparels and special-purpose equipment. We are currently exploring business opportunities in other industries. According to relevant laws and regulations in China, finance leasing companies are required to obtain certificates, permits and licenses before commencing their businesses in certain industries. For example, pursuant to the China Food and Drug Administration Reply on Issue Concerning the Supervision and Administration of the Finance Leasing of Medical Devices (國家食品藥品監督管理局關於融資租賃醫療器械監管問題的答覆意見) and the Regulations on the Supervision and Control of Medical Devices (醫療器械監督管理條例(2017)), a company engaging in the business of Class II medical devices shall register itself with the food and drug administration department of the local government at the districted city level for recordation (“**recordation procedure**”), and a company engaging in the business of Class III medical devices shall obtain the License for Medical Device Business (醫療器械經營許可證) besides conducting the recordation procedure. In 2015, we completed the recordation procedure for Class II medical devices, and plan to explore our business opportunities in the medical device industry, which we believe has growth potential, in the near future.

On the other hand, we are constantly evaluating opportunities to extend our services to additional sectors within each of our target industries. We will target promising industries or sectors which are promoted and supported by local governments, such as food and fast-moving consumer goods, high-end equipment manufacturing and application, and reputable education institutions. We also plan to, leveraging our current track record, expand our customer base in the environment industry. We plan to devote more attention, manpower and resources to expanding our customer base and strengthening our customer relationships through focused sales and marketing efforts. These sales and marketing efforts will include regular participation in industry exhibitions and trade associations so as to maintain our industry presence and diversify our customer base. We believe that such focused sales and marketing efforts will strengthen market demand for our financial services and enable us to capture more market share ahead of our competitors. In addition, we plan to expand our existing customer base through providing services to established upstream and downstream business partners of our existing customers. We will also actively seek cooperation opportunities by participating in trade shows and exhibitions to reach more potential customers.

### *Expand our factoring services*

While maintaining and strengthening our relationship with current customers, we plan to broaden our customer base and diversify our services offering by expanding our factoring services, so that we can enhance our market competitiveness. We intend to extend the reach of our factoring services within China by maintaining closer contacts with equipment suppliers and our existing customers for customer referrals. In addition, we plan to conduct market research to identify more industries with high growth potential which are suitable for our factoring services. We also plan to strengthen our sales and marketing efforts in major cities of the Yangtze River Delta and the Pearl River Delta, such as Shanghai and Guangzhou, to expand our sales network and to quickly and efficiently respond to potential customers’ needs for financial solutions. To this end, our sales and marketing personnel will attend industry associations’ events to promote our factoring services and broaden our reach to potential

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customers. In addition, we plan to establish a subsidiary in Shanghai, mainly to serve quality SMEs who have needs for comprehensive factoring services and financial solutions. We plan to invest RMB5.0 million as the first-stage paid-in capital by the end of 2018 and the rest in various stages with three years from its establishment, all of which will be financed by our working capital.

### *Enhance our corporate governance and strengthen our risk management efforts and internal controls*

We are committed to maintaining comprehensive risk management and internal control systems that enhance our overall strategy and long-term strategic position while addressing various risks, including credit risks, market risks, operational risks, liquidity risks, strategic risks and reputational risks. To pursue sustainable development at a reasonable risk level, we plan to:

- expand and improve our risk management system and structure, enhance our portfolio management and strengthen risk management for target customers to enhance our proactive risk management capability and minimize our risks;
- enhance our organizational structure, policies and procedures of our internal control;
- provide diversified product offering, such as combined services of finance leasing services and factoring services pursuant to applicable PRC law, by following the principles of risk control, cost consideration, increased transparency and sufficient risk compensation capability;
- broaden the application of our risk management policies to cover a wide array of financing solutions, provided to both creditors and debtors, for SMEs and entrepreneurial individuals;
- implement a well-integrated information technology system providing a centralized and real-time platform for our business operations and accounting system to enhance our risk management and operating efficiency; and
- expand our risk management department, including hiring new employees funded by our working capital, in order to effectively manage the risks associated with our expanded business operations.

### **BUSINESS OPERATIONS**

During the Track Record Period, we primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. To a lesser extent, we also provided factoring services and other value-added advisory services to our customers.

## BUSINESS

During the Track Record Period, we generated substantially all of our revenue from our finance leasing business. The following table sets forth the revenue breakdown by service type for the periods indicated:

|   | Year ended 31 December |                     |                      |                     |
|---|------------------------|---------------------|----------------------|---------------------|
|   | 2016                   |                     | 2017                 |                     |
|   | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Finance leasing services                    |                        |                     |                      |                     |
| Direct finance leasing . . . . .            | 8,836                  | 22.1                | 14,338               | 23.6                |
| Sale-leaseback . . . . .                    | 30,521                 | 76.4                | 41,377               | 68.0                |
| Factoring services <sup>(1)</sup> . . . . . | 583                    | 1.5                 | 2,630                | 4.3                 |
| Advisory services . . . . .                 | 0                      | 0.0                 | 2,463                | 4.1                 |
| <b>Total revenue . . . . .</b>              | <b><u>39,940</u></b>   | <b><u>100.0</u></b> | <b><u>60,808</u></b> | <b><u>100.0</u></b> |

*Note:*

(1) Revenue from factoring services includes factoring interest income and entrusted loans interest income.

### *Finance Leasing Services*

Finance leasing is a kind of financing solution provided by a finance leasing company, as the lessor, to the user, as the lessee. The lessor purchases the asset from an equipment supplier for direct finance leasing and from the lessee for sale-leaseback, and leases it to the lessee for an agreed term in return for lease payments. The lessor retains ownership of the asset while the lessee gets exclusive use of the asset during the lease term. The ownership of such asset will be transferred to the lessee at the end of the lease at a nominal price agreed between the lessee and the lessor. The average loan size of our finance leases for the years ended 31 December 2016 and 2017 was RMB1.6 million and RMB4.5 million, respectively. We primarily offered equipment-based finance leases, the term of which generally ranged from 12 to 36 months and the size of which generally ranged from RMB0.3 million to RMB20.0 million, during the Track Record Period.



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The following tables set forth certain information of our finance leasing services by industry during the Track Record Period:

### 2016

|  | Range of finance<br>lease value | Average<br>finance lease<br>value | Range of<br>interest rate | Average<br>interest<br>rate | Number of<br>customer(s) | Number of<br>agreement(s)<br>in effect <sup>(3)</sup> |
|--|---------------------------------|-----------------------------------|---------------------------|-----------------------------|--------------------------|---|
|  | <i>RMB'000</i>                  | <i>RMB'000</i>                    | %                         | %                           |                          |   |
| Infrastructure . . . . .                                     | 200,000                         | 200,000                           | 8.35                      | 8.35                        | 1                        | 1   |
| Manufacturing . . . . .                                      | 151~24,300                      | 2,846                             | 10.33~29.45               | 17.47                       | 89                       | 127   |
| Services <sup>(1)</sup> . . . . .                            | 172~7,080                       | 821                               | 13.06~23.16               | 15.37                       | 100                      | 148   |
| Construction . . . . .                                       | 158~18,400                      | 694                               | 11.72~26.12               | 13.54                       | 163                      | 173   |
| Agriculture, forestry, animal<br>husbandry and fishery . . . | 17,500                          | 17,500                            | 22.77                     | 22.77                       | 1                        | 1   |
| Wholesale and retail . . . . .                               | 10~3,000                        | 651                               | 9.54~29.57                | 18.63                       | 6                        | 47  |
| Others <sup>(2)</sup> . . . . .                              | 300~4,800                       | 983                               | 13.26~21.73               | 14.83                       | 7                        | 12  |

### 2017

|  | Range of finance<br>lease value | Average<br>finance lease<br>value | Range of<br>interest rate | Average<br>interest<br>rate | Number of<br>customer(s) | Number of<br>agreement(s)<br>in effect <sup>(3)</sup> |
|--|---------------------------------|-----------------------------------|---------------------------|-----------------------------|--------------------------|---|
|  | <i>RMB'000</i>                  | <i>RMB'000</i>                    | %                         | %                           |                          |   |
| Infrastructure . . . . .                                     | 200,000                         | 200,000                           | 8.35                      | 8.35                        | 1                        | 1   |
| Manufacturing . . . . .                                      | 130~19,480                      | 3,802                             | 10.33~29.16               | 18.06                       | 61                       | 89  |
| Services <sup>(1)</sup> . . . . .                            | 110~33,864                      | 2,238                             | 13.06~21.85               | 15.36                       | 65                       | 114   |
| Construction . . . . .                                       | 158~33,000                      | 1,143                             | 11.13~26.12               | 13.47                       | 127                      | 133   |
| Agriculture, forestry, animal<br>husbandry and fishery . . . | 17,500                          | 17,500                            | 22.77                     | 22.77                       | 1                        | 1   |
| Wholesale and retail . . . . .                               | 10~40,000                       | 1,674                             | 9.54~29.57                | 17.60                       | 15                       | 59  |
| Others <sup>(2)</sup> . . . . .                              | 300~5,700                       | 1,671                             | 12.01~21.73               | 14.57                       | 7                        | 8   |

*Notes:*

- (1) Include equipment leasing, education, financial and catering services.
- (2) Include water, environment and public facilities management, mining, real estate, transportation, storage and postal and accommodations industries.
- (3) Include agreements that contributed to our revenue for the relevant year.

We endeavor to serve customers from the infrastructure industry and manufacturing industry. For details, see “— Lease Portfolio” in this Prospectus. Our lease agreements are priced at a fixed interest rate or a floating interest rate, which is negotiated on a case-by-case basis with the customers. During the Track Record Period, all of our finance lease receivables were charged by fixed interest rates. In setting up the interest rate, we do not focus on a defined set of factors, but take into consideration the respective customer’s ability to make payments as a whole. We typically consider the customer’s creditworthiness, business operations and ability in generating cash flows from operating activities, as well as the type of the equipment.

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The following table sets forth certain information of our direct finance leasing and sales-leaseback during the Track Record Period:

|   | As of/For the year ended            |                                     |
|---|-------------------------------------|-------------------------------------|
|   | 31 December                         |                                     |
|   | 2016                                | 2017                                |
|   | <i>RMB'000</i><br><i>(except %)</i> | <i>RMB'000</i><br><i>(except %)</i> |
| Interest income . . . . .   | 39,357                              | 55,715                              |
| — Direct finance leasing . . . . .  | 8,836                               | 14,338                              |
| — Sales-leaseback . . . . .   | 30,521                              | 41,377                              |
| Interest expenses <sup>(1)</sup> . . . . .                                  | 16,169                              | 18,688                              |
| Net interest income <sup>(2)</sup> . . . . .                                | 23,188                              | 37,027                              |
| Average monthly balance of interest-generating finance lease<br>receivables |                                     |                                     |
| — Direct finance leasing . . . . .  | 66,268                              | 91,068                              |
| — Sales-leaseback . . . . .   | 300,042                             | 371,015                             |
| Year-end net amount of finance lease receivables                            |                                     |                                     |
| — Direct finance leasing . . . . .  | 129,984                             | 110,163                             |
| — Sales-leaseback . . . . .   | 319,213                             | 509,696                             |
| Average effective interest rate   |                                     |                                     |
| — Direct finance leasing . . . . .  | 13.3%                               | 15.7%                               |
| — Sales-leaseback . . . . .   | 10.2%                               | 11.2%                               |
| Default ratio   |                                     |                                     |
| — Direct finance leasing . . . . .  | 7.3%                                | 6.0%                                |
| — Sales-leaseback . . . . .   | 7.2%                                | 1.6%                                |
| Value of additional collateral and guaranteed deposits                      |                                     |                                     |
| — Direct finance leasing  |                                     |                                     |
| — Commercial and residential properties . . . . .                           | 0                                   | 458                                 |
| — Guaranteed deposits . . . . .   | 16,238                              | 16,716                              |
| — Sales-leaseback   |                                     |                                     |
| — Commercial and residential properties . . . . .                           | 63,318                              | 313,430                             |
| — Machinery equipment . . . . .   | 0                                   | 1,145                               |
| — Accounts receivable . . . . .   | 0                                   | 36,380                              |
| — Guaranteed deposits . . . . .   | 18,029                              | 33,649                              |

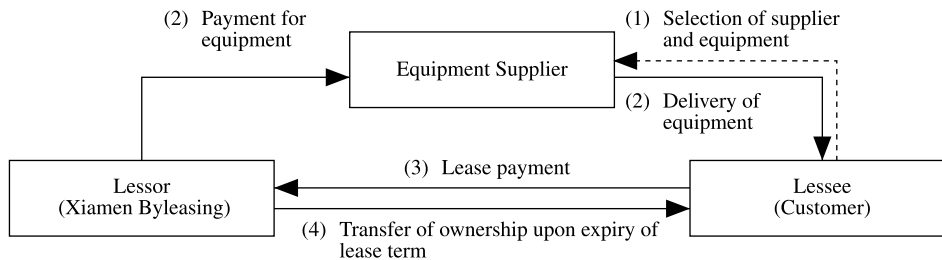
*Notes:*

- (1) We are not able to separate interest expenses of direct finance leasing from those of sales-leaseback as we utilize a pool of funds for our finance leasing services.
- (2) Because we are not able to separate interest expenses of direct finance leasing from those of sales-leaseback, we are not able to calculate net interest income for each of direct finance leasing and sales-leaseback, either.

### **Direct finance leasing**

Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. A direct finance lease typically involves three parties, namely, lessor, lessee and equipment supplier. In direct finance leasing, we enter into two agreements, namely, the finance leasing agreement and the purchase agreement. Under such agreements, we, as the lessor, purchase the designated equipment as instructed by our customer, as the lessee, from the equipment supplier. The designated equipment will be despatched from the equipment supplier to our customer directly. Usually for a period of 12 to 36 months, or in some cases on longer terms, the lessee repays the financing amount, interest and management fee to the lessor. We generally refer to the purchase price of the equipment and our customers' creditworthiness and ability to repay to determine the financing amount that we grant to our customers. Upon expiry of the lease term, we usually provide the lessee with an option to purchase the equipment underlying the lease at a nominal price. During the Track Record Period, other than our defaulting customers, substantially all of our direct finance leasing customers chose to purchase the equipment underlying the lease upon the expiry of the lease term.

The following diagram illustrates the relationship among the three parties in a typical direct finance leasing transaction:



Although we, as the lessor, have legal ownership of the equipment underlying the lease during the lease term in direct finance leasing, our agreements are structured such that substantially all the risks and rewards of ownership are transferred to the lessee. During the Track Record Period, substantially all of the equipment underlying the leases in the direct finance leasing were covered by full insurance in favor of us with insurance premium payable by our customers.

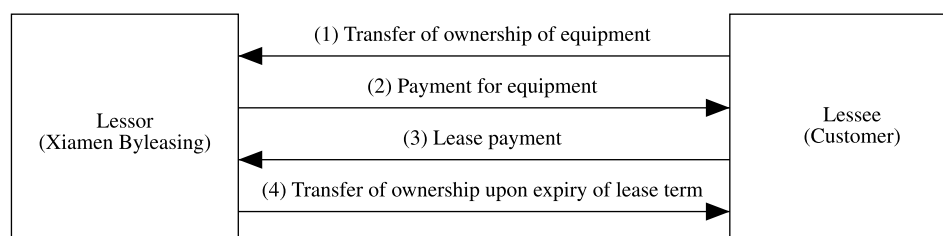
### **Sale-leaseback**

Sale-leaseback is primarily used by our customers who need working capital to fund their business operations. A sale-leaseback transaction typically involves two parties, namely, lessor and lessee. In providing sale-leaseback services, we enter into a finance leasing agreement with our customers. Under such agreements, our customer, as the lessee, sells its owned equipment to us, as the lessor, and we then lease back such equipment to this customer. Usually for a period of 12 to 36 months, or in some cases on longer terms, the lessee repays the financing amount, interest and management fee to the lessor. We generally refer to the purchase price and depreciation of the equipment and our customers' creditworthiness and ability to repay to determine the financing amount that we grant to our customers. Upon expiry of the lease term, the ownership of the equipment will be transferred to the lessee at a nominal price. Throughout the entire process, the lessee remains in possession of the underlying equipment.

## BUSINESS

Although we, as the lessor, have legal ownership of the equipment underlying the lease during the lease term in sale-leaseback transactions, our agreements are structured such that substantially all the risks and rewards of ownership are transferred to the lessees. During the Track Record Period, most of the equipment underlying the lease in the sale-leaseback were covered by full insurance in favor of us with insurance premium payable by our customers.

The following diagram illustrates the relationship between the two parties in a sale-leaseback transaction:



During the Track Record Period, we also worked with certain equipment suppliers, who had good reputations, fine track record and long working relationship with us, in finance leasing. In such cases, equipment suppliers introduced customers to us. Under such circumstances, the lessee in need of financing is normally a potential or existing customer of the equipment supplier, and, by providing finance leasing service, we are able to access and serve the customers sourced from these equipment suppliers. In return, the equipment suppliers typically guarantee the repayments of customers under the leases. Such equipment suppliers usually enter into framework agreements with us. Pursuant to the framework agreements, if the customers fail in performing their obligations, we will assign all of our rights and obligations under the agreements to such equipment suppliers at an agreed repurchase price covering the total amount of unrepaid interest, unpaid financing amount and any penalty for overdue payments. During the Track Record Period, we entered into framework agreements with seven equipment suppliers, one of them was Jingong Machinery, a connected person. For details, see “Continuing Connected Transactions — Non-exempt Continuing Connected Transaction” in this Prospectus.

During the Track Record Period, we granted a finance lease through an entrusted loan to one of our customers mainly because such customer provided newly-developed properties prior to obtaining ownership certificates (“**non-licensed property**”) as collateral, and local real estate registration authority only accepted the registration of non-licensed properties with commercial banks as the collateral. Our finance lease receivables with carrying amount of RMB24.4 million were arranged through an entrusted loan with non-licensed properties as the collateral as of 31 December 2017.

The following table sets forth the breakdown of the revenue from supplier-backed leases by service type for the periods indicated:

|  | Year ended 31 December |              |                |              |
|--|------------------------|--------------|----------------|--------------|
|  | 2016                   |              | 2017           |              |
|  | <i>RMB'000</i>         | %            | <i>RMB'000</i> | %            |
| Supplier-backed direct finance leasing . . . . .     | 7,953                  | 90.6         | 6,333          | 89.2         |
| Supplier-backed sale-leaseback . . . . .             | 821                    | 9.4          | 770            | 10.8         |
| <b>Revenue from supplier-backed leases . . . . .</b> | <b>8,774</b>           | <b>100.0</b> | <b>7,103</b>   | <b>100.0</b> |

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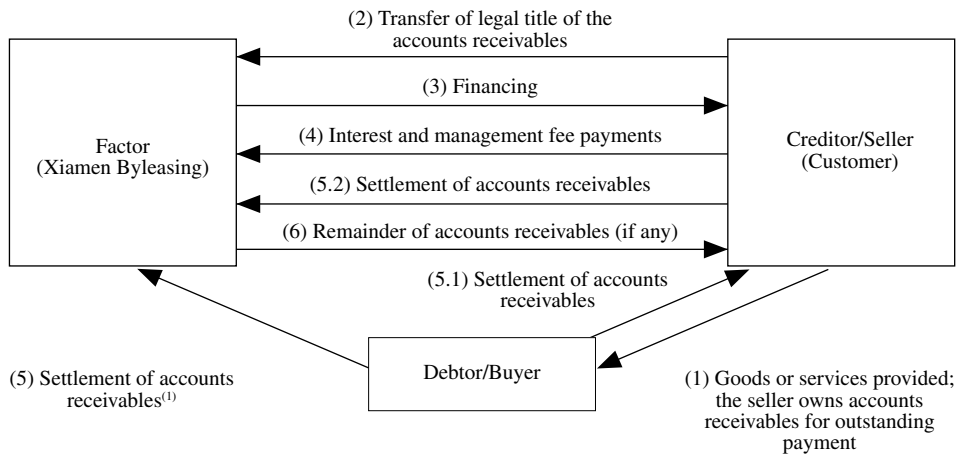
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### *Factoring Services*

In addition to the finance leasing services, we also provide factoring services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations. We have been providing factoring services since January 2016. For the years ended 31 December 2016 and 2017, our revenue from factoring services was RMB0.6 million and RMB2.6 million, respectively, accounting for 1.5% and 4.3% of our total revenue of the corresponding periods.

The following diagrams illustrate the relationship between the three parties in a factoring agreement:

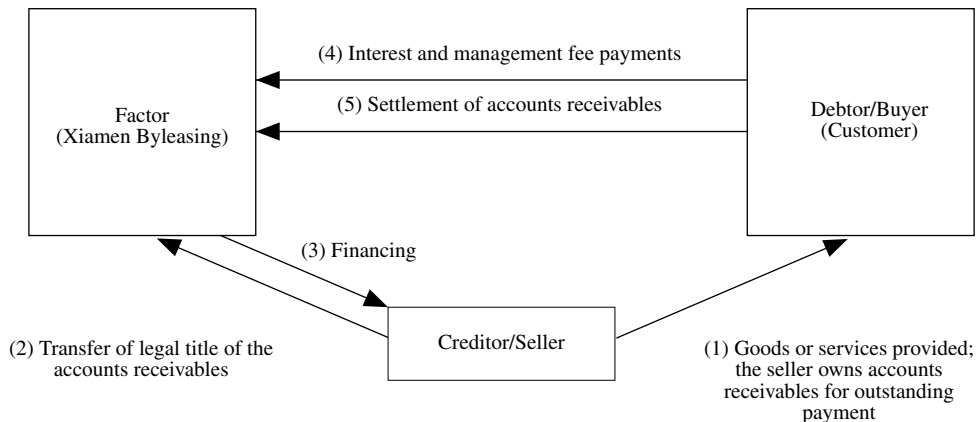
#### **Creditor as our customer**



*Note:*

- (1) The debtor may settle their accounts payables to Xiamen Byleasing directly or through the creditor.

#### **Debtor as our customer**



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In factoring services, we enter into factoring agreements with our customers. Under typical factoring agreements, the creditors assign their accounts receivable to us and we provide services including financing, account management and accounts receivable collection to our customers. We also provide factoring services to debtors who are buyers in need of financing for goods or services when we determine that they have strong ability to repay. After the assignment, the title of the accounts receivable is transferred to us. Upon expiry of the term of the factoring agreements: (i) where our customers are the creditors, if we are unable to recover the full amount of the accounts receivable due to reasons beyond our control, such as the failure of payment from the debtor, our customers will purchase the remaining amount of the accounts receivable from us; and (ii) where our customers are the debtors, our customers will be subject to penalty for overdue payments.

We enter into factoring transactions with creditors/sellers with recourse or without recourse, the former of which allows us to demand the creditor/seller to unconditionally repurchase the accounts receivable on demand under certain circumstances, including but not limited to, a default by the debtor/buyer to pay the accounts receivable and a dispute arising between the debtor/buyer and the creditor/seller. We enter into factoring transactions with debtors/buyers only on a non-recourse basis. For the accounting treatment for factoring receivables with and without recourse, see “Financial Information — Liquidity and Capital Resources — Selected Items of the Consolidated Statements of Financial Position — Loans and receivables” in this Prospectus. Entrusted loan under loans and receivables is a kind of receivable that is classified separately from our factoring receivable. During the Track Record Period, we provided factoring services to a customer through entrusted loans from a commercial bank mainly because local real estate registration authority did not accept the collateral registration with factoring agreement as the master agreement, while we provided factoring services by granting financing amounts to our customers directly under typical factoring agreements. The title of such customer’s accounts receivable was transferred to us in exchange for our financing services. Such loan was secured by collateral and guarantee.

The table below sets forth certain information of our factoring services during the Track Record Period:

|  | <b>As of/For the year ended</b> |                   |
|--|---------------------------------|-------------------|
|  | <b>31 December</b>              |                   |
|  | <b>2016</b>                     | <b>2017</b>       |
|  | <i>RMB'000</i>                  | <i>RMB'000</i>    |
|  | <i>(except %)</i>               | <i>(except %)</i> |
| Interest income . . . . .  | 583                             | 2,630             |
| Interest expenses <sup>(1)</sup> . . . . .   | 0                               | 0                 |
| Net interest income . . . . .  | 583                             | 2,630             |
| Average monthly balance of loans and receivables <sup>(2)</sup> . . . . .          | 2,482                           | 24,763            |
| Year-end balance of loans and receivables <sup>(2)</sup> . . . . .                 | 4,401                           | 18,889            |
| Average effective interest rate, or interest income yield <sup>(3)</sup> . . . . . | 23.5%                           | 10.6%             |
| Default ratio <sup>(4)</sup> . . . . .   | 0.0%                            | 0.0%              |
| Value of collateral and guaranteed deposits . . . . .                              | 3,304                           | 14,782            |
| — Commercial and residential properties . . . . .                                  | 0                               | 10,330            |
| — Machinery equipment . . . . .  | 2,857                           | 2,460             |
| — Guaranteed deposits . . . . .  | 447                             | 1,992             |

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*Notes:*

- (1) We utilized our own capital for factoring services and did not incur interest expenses for factoring services during the Track Record Period.
- (2) Our loans and receivables represented our receivables for factoring services, which include factoring receivable and entrusted loans.
- (3) Average effective interest rate, or interest income yield for factoring business represents interest income from our factoring business divided by the average monthly balance of our loans and receivables.
- (4) Default ratio represents the balance of overdue and impaired loans and receivables divided by net amount of loans and receivables.

Our interest income for factoring services increased significantly from RMB0.6 million for the year ended 31 December 2016 to RMB2.6 million for the year ended 31 December 2017 mainly due to the expansion of our factoring business. Our average and year-end balances of loans and receivables increased significantly during the Track Record Period primarily because of the expansion of our factoring business. Our average effective interest rate, or interest income yield, for factoring services decreased from 23.5% for the year ended 31 December 2016 to 10.6% for the year ended 31 December 2017 mainly attributable to a decrease in interest rates charged to new customers in 2017.

We aim to further develop our factoring services to diversify our services portfolio in the future. We plan to establish a subsidiary in Shanghai to carry out factoring business. The registered capital for this subsidiary is set to be RMB50.0 million. We plan to invest RMB5.0 million as the first-stage paid-in capital by the end of 2018 and the rest in various stages with three years from its establishment, all of which will be financed by our working capital.

### *Advisory Services*

Leveraging our experience in arranging finance leases for our customers, we became better-acquainted with the myriad financing choices and needs of SMEs and entrepreneurial individuals, particularly with respect to financing options, cash management and operation of leased assets. Therefore, we began to develop advisory services for our existing and potential customers since January 2015. We provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the year ended 31 December 2017, our revenue from advisory services was RMB2.5 million, accounting for 4.1% of our total revenue for the same period.

We tailor our advisory services to meet the specific needs and requirements of our customers. We constantly and closely interact with our customers to determine the appropriate service content and scope to provide optimal solutions with a focus on adding value to their business operations. We believe that our advisory services, which are tailored to improve the customer experience and meet the customer's individual needs, are unique and distinguish us from our competitors. Our industry expertise, advanced financial analysis and risk management capabilities, and in-depth understanding of customers' specific needs have enabled us to provide our customers with professional and customized advisory services, which have also contributed to our revenue during the Track Record Period.

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## BUSINESS

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Our Previous Tibet Subsidiary was incorporated in July 2014 and entered into its first advisory agreement in January 2015. However, due to inconvenience in management caused by geographical location, our Directors no longer considered it necessary to maintain a legal entity in Tibet and decided to dispose of the Previous Tibet Subsidiary. Such disposal took effect on 16 November 2017. After the disposal, advisory services previously carried out through our Previous Tibet Subsidiary are carried out by Xiamen Byleasing. During the Track Record Period, we only entered into one advisory agreement, involving a construction project with a total investment (總投資) of approximately RMB1,142 million, with one customer, a construction company. We charged 1% of the project progress payment which our customer received (工程結算造價) for our advisory services.

### *Summary of Key Terms of Agreements*

We have developed standard templates for our finance leasing agreements, factoring agreements and advisory agreement.

#### **Finance leasing agreements**

Key terms of the finance leasing agreements are summarized below:

- *Term:* we provide finance leasing services to our customers for usually one to three years;
- *Equipment under lease:* Detailed equipment list is attached as an appendix in our finance leasing agreement; under direct finance leasing, equipment under lease is the equipment purchased from the suppliers, which is selected and designated by our customers; under sale-leaseback, equipment under the lease is the equipment purchased from our customers;
- *Ownership of equipment under lease:* Under direct finance leasing, the ownership of the equipment will first be transferred from the equipment supplier to us upon entering the purchase agreement, and then from us to our customer upon the expiry of the finance leasing agreement at a nominal price; under sale-leaseback, the ownership of the equipment under lease will be transferred from the lessee to us upon the commencement of the finance leasing, and then from us to our customer upon the expiry of the finance leasing agreement at a nominal price; in each situation, we will label the equipment under lease indicating our ownership and register the asset underlying the lease in the Credit Reference Center of the PBOC\* (中國人民銀行徵信中心);
- *Equipment delivery:* Under direct finance leasing, the equipment will be delivered to our customer directly from the equipment supplier and our customer shall send a notice of acceptance to us within two days after the equipment supplier delivers the equipment to such customer; under sale-leaseback, the equipment will remain in the possession of the lessee and we are entitled to inspect the equipment from time to time;
- *Insurance:* The equipment shall be fully covered by the insurance policies, under which we are the first beneficiary; the insurance premium shall be paid by our customer;
- *Lease payment, management fee and payment schedule:* In most cases, our customers shall make their lease payments monthly. Management fee is paid in full by our customers when the finance leasing agreements are signed; detailed payment schedule is listed as appendix in the finance leasing agreement; and



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## BUSINESS

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- *Default provision:* If our customer fails to pay any installment of lease payments or fails to perform any of its obligations set out in the agreement, we shall have the right to demand prompt payment in full of any lease payment, whether due or undue, and any other amounts payable or to terminate the agreement.

### **Factoring agreements**

Key terms of the factoring agreements are summarized below:

- *Term:* We grant a credit line to our customer with a term of one year. During the term, our customer can submit multiple applications for funds within the credit line;
- *Title of accounts receivable:* The title of the accounts receivable is transferred to us from the creditor when we confirm a factoring transaction with our customer;
- *Financing amount:* The financing amount ranges from 60.0% to 90.0% of the book value of the accounts receivable underlying the factoring transaction;
- *Repurchase:* Where our customer is the creditor, under certain circumstances, we are entitled to demand our customer to repurchase the accounts receivable. For example, if the debtor refuses to repay the accounts receivable in full on the due date, our customer shall repurchase the accounts receivable upon our request. Where our customer is the debtor, the creditor is not subject to repurchase obligation; and
- *Interest, management fee and payment schedule:* Monthly interest payment is made by our customer; principal amount of the accounts receivable is paid by the debtor; one-time management fee is paid in full by our customer at the commencement of each factoring transaction.

### **Advisory agreement**

Key terms of the advisory agreement are summarized below:

- *Duration:* we provide advisory service from the conclusion of the contract to the completion of the construction project;
- *Fees:* our customer shall pay 1% of the project progress payments which our customer receives (工程結算造價) for the advisory services;
- *Contents:* we provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements; and
- *Liabilities:* we shall exercise duty of care in providing professional advisory services, and act in accordance with the instructions and authorization of our customer; any loss resulting from our unauthorized actions shall be borne by us.

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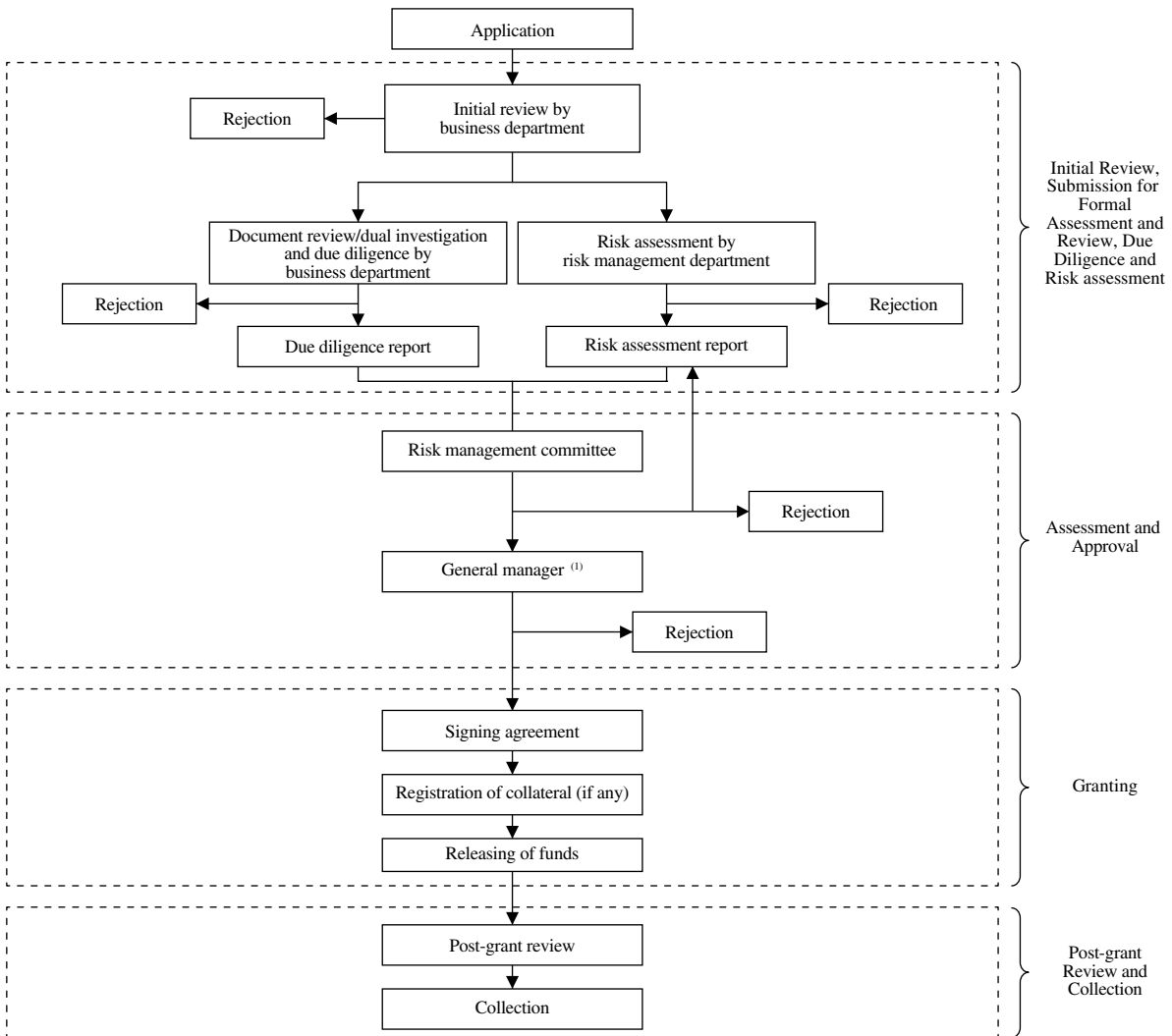
# BUSINESS

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## BUSINESS PROCESS

Our business process comprises the acceptance of application, conducting due diligence, assessment and approval, the granting of applications, and post-grant reviews and collection. For details of our risk management and risk control policies and measures in association with our business, see “— Risk Management” in this Prospectus.

The flowchart below summarizes the key procedures of our business process:



*Note:*

- (1) Our general manager has the right to veto any approved application.

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## BUSINESS

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### *Application*

Our business process begins with an applicant's submission of an application, supplemented by information we require relating to such application. For example, an enterprise applicant must provide its basic corporate information and documentation, including its business license, articles of association, tax certificates, asset appraisal report and board resolution or other appropriate authorization regarding the lease application. We require the direct finance leasing applicants who lack the guarantees from the equipment suppliers to provide additional documentation, such as bank statements and material business contracts. We also require the sale-leaseback applicants to provide original purchase agreement of the equipment underlying the lease. In the lease application, the proposed amount, term of the lease, use of funds, whether the leases will be guaranteed or secured, ability to repay and source of payment must also be specified. For the factoring services applicants, we require them to provide business contracts, invoices and other related documentation to prove the authenticity of their accounts receivable.

### *Initial Review and Due Diligence*

Our business department will conduct an initial review of the application and consider whether to accept a customer's application pursuant to our application acceptance procedures. Upon the receipt of an application, our business department will designate a team to conduct customer due diligence in a lease application. The business manager will then: (i) collect business and financial information from the customer; (ii) conduct on-site visits; and (iii) verify the information provided by the customer. For sale-leaseback applicants, the business manager will also inspect the equipment and evaluate its value. For a factoring services application, the business manager and personnel from our risk management department will also verify the business contracts provided by the applicant. We focus particularly on our customers' businesses, cash flows and source of payment through examining the financial information provided by the customer, investigating the management team of our customers or their companies, and reviewing any relevant credit records and disputes with banks. One of our risk management managers will conduct parallel risk assessments for an application. To proceed with the internal assessment and approval process, our business department and risk management department will prepare the due diligence report and the risk assessment report, respectively.

Financing applications that cannot meet basic eligibility requirements are rejected by our business department in the initial customer acceptance process, and will not be further processed. The basic eligibility requirements are reviewed and amended by our senior management from time to time to adapt to the changes in market conditions and regulatory environment. Over the years, our business managers have improved their ability to pre-screen potential customers through regular training.

### *Assessment and Approval*

Once a lease application passes the review of our business department and risk management department, a lease assessment meeting will be held. During this meeting, the project manager from our business department will present the lease application in question and relevant information and make a proposal for granting of a lease, while our risk management managers will present the risks involved in granting the lease. Members of our risk management committee, which consists of our finance department manager, our deputy general managers, our general manager, personnel from our risk management department and external risk management experts, will attend the lease assessment meeting. Our risk management committee members assess the lease application and issue independent opinions on the proposal. Our risk management committee may return the application to the risk management

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department and request for further due diligence if the due diligence result is not satisfactory. The lease application will be approved by a simple majority of the committee members. If more than one fourth of the committee members disagree with the approval, the lease application will also be rejected. After the lease application passes the reviews of our risk management committee, it will be subject to a final assessment and approval by our general manager. Our general manager will conduct an on-site visit to the operating site of the lease applicant. Our general manager has the right to veto the approved application. We also determine the terms and conditions of a finance leasing agreement, such as the amount of the lease payment, interest rate, term of lease and repayment plan, during the review process.

It typically takes us 30 days to complete the assessment and approval process for a lease application.

### *Granting*

Once a lease application is approved through our assessment and approval process, our risk management department will prepare the finance leasing agreement and the purchase agreement as well as other relevant documentation. We will then proceed with the signing of the agreements and other documents, such as the guarantee or collateral agreements. If any collateral is provided by the lessee, registration of our security interest in such collateral with the relevant governmental authorities shall be completed before we release the funds to our customers.

### *Post-grant Review, Extension and Collection*

We conduct periodic reviews of our lease portfolio to monitor the risks associated with our leases. Our review and evaluation focus on: (i) customers' use of funds; (ii) the business operations of our customers as well as the industry and market in which the customers operate; (iii) the change in customers' assets, revenue and cash flows; (iv) the source of payment; and (v) other situations that may adversely affect the risk profile of leases.

In general, we require our customers to pay interest and lease payments according to the customized repayment plans. Any lease payments not paid upon the due date will be considered as overdue.

As part of our course of business and in line with the industry practice, upon the request of our existing customers and subject to our discretion, we sometimes grant extension on their lease payments before their leases expire.

If our customers fail to make their lease payments on time, we will initiate our collection procedures. For details, see “— Risk Management — Credit Risk Management — Collection” in this Prospectus. If a customer fails to make two successive monthly payments within 15 days after the second due date, we will issue a formal attorney letter to such defaulting customer, prepare for a legal proceeding and seek repossession of the assets underlying our lease. We initiate legal proceedings against our customers and their guarantors as our last resort.

Depending on the risk profile of overdue leases, we may take necessary legal actions, such as attaching the assets of our customers or the guarantors, freezing their bank accounts or foreclosing on the collateral by court order.

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### LEASE PORTFOLIO

The interest income from our finance leasing business increased during the Track Record Period because of the expansion of our business operations. For the years ended 31 December 2016 and 2017, interest income from our finance leasing business amounted to RMB39.4 million and RMB55.7 million, respectively. As of 31 December 2016 and 2017, the net amount of our finance lease receivables was RMB449.2 million and RMB619.9 million, respectively.

#### *Lease Portfolio by Industry*

The following table sets forth the contribution of each industry to our total revenue for the periods indicated:

|  | Year ended 31 December |              |               |              |
|--|------------------------|--------------|---------------|--------------|
|  | 2016                   |              | 2017          |              |
|  | RMB'000                | %            | RMB'000       | %            |
| Infrastructure . . . . .   | 15,862                 | 39.7         | 15,803        | 26.0         |
| Manufacturing . . . . .  | 14,552                 | 36.4         | 21,248        | 34.9         |
| — Textiles and clothing . . . . .                                | 5,535                  | 13.9         | 6,873         | 11.3         |
| — Computer, communication and electronic equipment . . . . .     | 2,516                  | 6.3          | 1,863         | 3.1          |
| — Special-purpose equipment . . . . .                            | 2,245                  | 5.6          | 1,291         | 2.1          |
| — Metal products . . . . .                                       | 1,700                  | 4.3          | 3,233         | 5.3          |
| — Chemical materials and products . . . . .                      | 486                    | 1.2          | 1,532         | 2.5          |
| — Food . . . . .   | 208                    | 0.5          | 1,441         | 2.4          |
| — Printing and reproduction of recorded media industry . . . . . | 0                      | 0.0          | 1,155         | 1.9          |
| — Electrical materials and equipment . . . . .                   | 409                    | 1.0          | 1,404         | 2.3          |
| — Others . . . . .   | 1,453                  | 3.6          | 2,456         | 4.0          |
| Services <sup>(1)</sup> . . . . .                                | 3,970                  | 10.0         | 9,071         | 14.9         |
| Construction . . . . .   | 2,371                  | 5.9          | 8,972         | 14.8         |
| Agriculture, forestry, animal husbandry and fishery . . . . .    | 1,313                  | 3.3          | 0             | 0.0          |
| Wholesale and retail . . . . .                                   | 1,862                  | 4.7          | 5,610         | 9.2          |
| Others <sup>(2)</sup> . . . . .                                  | 10                     | 0.0          | 104           | 0.2          |
| <b>Total revenue . . . . .</b>                                   | <b>39,940</b>          | <b>100.0</b> | <b>60,808</b> | <b>100.0</b> |

*Notes:*

- (1) Include equipment leasing, education, financial and catering services.
- (2) Include water, environment and public facilities management, mining, real estate, transportation, storage and postal and accommodations industries.

For the years ended 31 December 2016 and 2017, 39.7% and 26.0%, respectively, of our total revenue was attributable to a customer in the infrastructure industry. We entered into a three-year finance leasing agreement with such customer in December 2015, with a guarantee agreement signed by a third party as the guarantor. We purchased infrastructure facilities and equipment, the original value of which was RMB244.1 million, at the purchase price of RMB200.0 million from, and leased back to,

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such customer. The financing amount and interest payments totalled RMB251.0 million and shall be repaid in installments every six months starting from January 2016. Each of the first six installments is RMB8.5 million to be repaid from 2016 to 2018, and the last installment will be RMB200.0 million to be repaid in December 2018. For details of our customer Jinjiang Yizhong Lighting Development Co., Ltd.\*, see “— Customers, Sales and Marketing — Our Customers” in this Prospectus.

For the years ended 31 December 2016 and 2017, 36.4% and 34.9%, respectively, of our total revenue was attributable to our customers in the manufacturing industry.

The following table sets forth the breakdown of our net amount of finance lease receivables by industry as of the dates indicated:

|  | As of 31 December     |                     |                       |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
|  | 2016                  |                     | 2017                  |                     |
|  | RMB'000               | %                   | RMB'000               | %                   |
| Infrastructure . . . . .   | 200,754               | 44.7                | 200,519               | 32.4                |
| Manufacturing . . . . .  | 154,748               | 34.4                | 121,131               | 19.5                |
| — Textiles and clothing . . . . .                                | 45,920                | 10.2                | 21,213                | 3.4                 |
| — Computer, communication and electronic equipment . . . . .     | 18,429                | 4.1                 | 16,272                | 2.6                 |
| — Special-purpose equipment . . . . .                            | 37,472                | 8.3                 | 6,605                 | 1.1                 |
| — Metal products . . . . .                                       | 24,508                | 5.5                 | 15,181                | 2.4                 |
| — Chemical materials and products . . . . .                      | 13,123                | 2.9                 | 10,106                | 1.6                 |
| — Food . . . . .   | 1,386                 | 0.3                 | 11,585                | 1.9                 |
| — Printing and reproduction of recorded media industry . . . . . | 0                     | 0.0                 | 12,888                | 2.1                 |
| — Electrical materials and equipment . . . . .                   | 4,221                 | 0.9                 | 6,222                 | 1.0                 |
| — Others . . . . .   | 9,689                 | 2.2                 | 21,059                | 3.4                 |
| Services <sup>(1)</sup> . . . . .                                | 41,071                | 9.1                 | 164,042               | 26.5                |
| Construction . . . . .   | 24,251                | 5.4                 | 67,683                | 10.9                |
| Agriculture, forestry, animal husbandry and fishery . . . . .    | 12,467                | 2.8                 | 559                   | 0.1                 |
| Wholesale and retail . . . . .                                   | 11,434                | 2.6                 | 58,362                | 9.4                 |
| Others <sup>(2)</sup> . . . . .                                  | 4,472                 | 1.0                 | 7,563                 | 1.2                 |
| <b>Net amount of finance lease receivables . . . . .</b>         | <b><u>449,197</u></b> | <b><u>100.0</u></b> | <b><u>619,859</u></b> | <b><u>100.0</u></b> |

Notes:

- (1) Include equipment leasing, education, financial and catering services.
- (2) Include water, environment and public facilities management, mining, real estate, transportation, storage and postal and accommodations industries.

As of 31 December 2016 and 2017, 44.7% and 32.4% of the net amount of our finance lease receivables, respectively, was attributable to our customer Jinjiang Yizhong Lighting Development Co., Ltd.\* in the infrastructure industry.

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As of 31 December 2016 and 2017, 34.4% and 19.5% of the net amount of our finance lease receivables, respectively, was attributable to our customers in the manufacturing industry.

As of 31 December 2016 and 2017, 9.1% and 26.5% of the net amount of our finance lease receivables, respectively, was attributable to our customers in the services industry. Such increase was mainly due to the increased number of customers in the services industry.

### *Lease Portfolio by Exposure Size*

We primarily offered equipment-based finance leases, the terms of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.3 million to RMB20.0 million, during the Track Record Period. The following table sets forth the breakdown of the finance lease receivables by exposure size as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | RMB'000           | %            | RMB'000        | %            |
| Up to RMB1.0 million . . . . .                               | 25,400            | 5.7          | 24,236         | 3.9          |
| Over RMB1.0 million to RMB3.0 million (inclusive) . . . . .  | 35,675            | 7.9          | 48,482         | 7.8          |
| Over RMB3.0 million to RMB5.0 million (inclusive) . . . . .  | 67,018            | 14.9         | 38,470         | 6.2          |
| Over RMB5.0 million to RMB30.0 million (inclusive) . . . . . | 120,350           | 26.8         | 239,206        | 38.6         |
| Over RMB30.0 million <sup>(1)</sup> . . . . .                | 200,754           | 44.7         | 269,465        | 43.5         |
| <b>Net amount of finance lease receivables . . . . .</b>     | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

*Note:*

(1) The net amount of finance lease receivables over RMB30.0 million as of 31 December 2016 and 2017 related to one finance leasing agreement and three finance leasing agreements, respectively.

### *Lease Portfolio by Security*

Based on the security provided, we classify our leases into the following categories:

- *Guaranteed leases:* leases backed by guarantors other than equipment suppliers, but not secured by any collateral;
- *Supplier-backed leases:* leases backed by equipment suppliers. If the customers fail in performing their obligations under the agreements, we will assign all of our rights and obligations under the agreements to such equipment suppliers at an agreed repurchase price; and
- *Collateral-backed leases with guarantee:* leases backed by guarantors as well as secured in whole or in part by mortgage on building ownership rights.

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The following table sets forth our finance lease receivables by security as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | RMB'000           | %            | RMB'000        | %            |
| Guaranteed leases . . . . .                              | 320,878           | 71.4         | 362,308        | 58.4         |
| Supplier-backed leases . . . . .                         | 74,891            | 16.7         | 22,913         | 3.7          |
| Collateral-backed leases with guarantee . . . . .        | 53,428            | 11.9         | 234,638        | 37.9         |
| <b>Net amount of finance lease receivables . . . . .</b> | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

### *Lease Portfolio by Type of Assets Underlying the Leases*

The following table sets forth the breakdown of the net amount of our finance lease receivables by type of assets underlying the lease as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | RMB'000           | %            | RMB'000        | %            |
| Infrastructure and construction equipment . . . . .      | 302,722           | 67.4         | 473,262        | 76.4         |
| General machinery equipment . . . . .                    | 119,884           | 26.7         | 106,796        | 17.2         |
| Food processing equipment . . . . .                      | 1,510             | 0.3          | 12,326         | 2.0          |
| Agriculture equipment . . . . .                          | 12,468            | 2.8          | 559            | 0.1          |
| Electronic equipment . . . . .                           | 7,532             | 1.7          | 4,534          | 0.7          |
| Environmental pollution prevention equipment . . . . .   | 0                 | 0.0          | 14,821         | 2.4          |
| Others <sup>(1)</sup> . . . . .                          | 5,081             | 1.1          | 7,561          | 1.2          |
| <b>Net amount of finance lease receivables . . . . .</b> | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

Note:

(1) Include transportation equipment, beverage processing equipment and education equipment.

Our leased assets mainly comprised infrastructure and construction equipment and general machinery equipment. For details of our assets underlying the leases, see “— Provisioning Policies and Asset Quality” in this Prospectus.

### *Maturity Profile*

The following table sets forth the numbers of our finance leasing agreements by expiry dates as of the dates indicated:

|  | As of 31 December |            |
|--|-------------------|------------|
|  | 2016              | 2017       |
| Expired within one year (inclusive) . . . . .                        | 494               | 72         |
| Expired over one year and within two years (inclusive) . . . . .     | 45                | 28         |
| Expired over two years and within three years (inclusive) . . . . .  | 14                | 20         |
| Expired over three years and within five years (inclusive) . . . . . | 2                 | 7          |
| Overdue finance leasing agreements . . . . .                         | 28                | 22         |
| <b>Total . . . . .</b>   | <b>583</b>        | <b>149</b> |



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There were 359 and 227 finance leasing agreements completed for the years ended 31 December 2016 and 2017, respectively.

The following is the maturity profile of our finance lease receivables as of the dates indicated:

|   | As of 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2016                  | 2017                  |
|   | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Neither overdue nor impaired . . . . .                                      | 372,061               | 600,742               |
| — Not later than 30 days (inclusive) . . . . .                              | 18,772                | 18,804                |
| — Later than 30 days and not later than 90 days (inclusive) . . . . .       | 20,104                | 26,444                |
| — Later than 90 days and not later than one year (inclusive) . . . . .      | 73,380                | 296,064               |
| — Later than one year and not later than two years (inclusive) . . . . .    | 239,300               | 114,159               |
| — Later than two years and not later than three years (inclusive) . . . . . | 19,746                | 118,209               |
| — Later than three years and not later than five years . . . . .            | 759                   | 27,062                |
| Overdue but not impaired  |                       |                       |
| — Overdue within 30 days (inclusive) . . . . .                              | 70                    | 1,241                 |
| — Overdue 30 to 90 days (inclusive) . . . . .                               | 40,403                | 2,966                 |
| — Overdue above 90 days . . . . .   | 4,123                 | 273                   |
| Impaired . . . . .  | 32,540                | 14,637                |
| Less: Allowances for impairment losses . . . . .                            | (21,263)              | (19,374)              |
| <b>Carrying amount of finance lease receivables . . . . .</b>               | <b><u>427,934</u></b> | <b><u>600,485</u></b> |

The total overdue finance lease receivables decreased during the Track Record Period mainly because: (i) we improved the quality of our customer base to include customers with stronger ability to repay by enhancing our basic eligibility requirements when evaluating the creditworthiness of our customers; (ii) we closely monitored our collection procedures; and (iii) we initiated legal proceedings against our defaulting customers and successfully recovered some of the lease payments.

Our default ratio decreased during the Track Record Period. As of 31 December 2016 and 2017, our default ratio was 7.2% and 2.4%, respectively. Such decrease over the Track Record Period was primarily due to our enhanced credit risk management procedures. For details, see “Financial Information — Quantitative and Qualitative Disclosures about Market Risk — Credit Risk” in this Prospectus.

### OUR CAPITAL BASE

As of 31 December 2017, our PRC subsidiary, Xiamen Byleasing had a paid-in capital of RMB168.0 million. We strive to diversify our financing sources and primarily fund our operations and expansions through interest-bearing borrowings, our Shareholders’ equity and cash flows from our operations. Leveraging our successful track record and the support of our Shareholders, we were able to obtain borrowings from banks, including a state-owned policy bank and national commercial banks, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. We also obtained an entrusted loan from an Independent Third Party through a state-owned commercial bank in the PRC. Our interest-bearing borrowings bore contractual interest rates ranging from 4.35% to 6.24% on an annualized basis during the Track Record Period.

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As of 31 December 2016 and 2017, the balance of our total interest-bearing borrowings was RMB280.0 million and RMB340.0 million, respectively. For details, see “Financial Information — Liquidity and Capital Resources — Indebtedness” in this Prospectus. The table below sets forth the details of our top five lenders during the Track Record Period:

| <u>Lender</u>   | <u>Date of first cooperation</u> | <u>Years of relationship</u> | <u>As of 31 December</u>           |                       |
|---|----------------------------------|------------------------------|------------------------------------|-----------------------|
|   |                                  |                              | <u>2016</u>                        | <u>2017</u>           |
|   |                                  |                              | <u>Amount of credit facilities</u> |                       |
|   |                                  |                              | <i>RMB'000</i>                     | <i>RMB'000</i>        |
| Bank A . . . . .  | March 2015                       | Two                          | 50,000                             | 0                     |
| Bank B . . . . .  | November 2013                    | Four                         | 120,000                            | 0                     |
| Bank C . . . . .  | December 2010                    | Seven                        | 100,000                            | 150,000               |
| Bank D . . . . .  | December 2012                    | Five                         | 150,000                            | 150,000               |
| Industrial and Commercial Bank of<br>China Songbai Branch . . . . . | December 2017                    | Less than one                | N/A                                | 90,000 <sup>(1)</sup> |
| <b>Total . . . . .</b>  |                                  |                              | <b><u>420,000</u></b>              | <b><u>390,000</u></b> |

*Note:*

(1) Such credit facilities were obtained through entrusted loan arrangement from an Independent Third Party.

As of 31 December 2017, we had interest-bearing borrowings totaling RMB340.0 million, representing 87.2% of our total credit facilities as of the same date. The table below sets forth the details of our indebtedness as of 30 April 2018.

| <u>Lender</u>   | <u>Amount</u>               | <u>Date of maturity</u>     | <u>Interest rate</u> |
|---|-----------------------------|-----------------------------|----------------------|
|   | <u>RMB'000</u>              |                             |                      |
| Bank D  | 150,000                     | 27 January 2019             | 4.75%                |
| Bank C  | 40,000                      | 16 August 2018              | 5.66%                |
|   | 20,000                      | 23 November 2018            | 5.66%                |
|   | 20,000                      | 5 December 2018             | 6.00%                |
|   | 20,000                      | 6 December 2018             | 6.00%                |
| Industrial and Commercial Bank<br>of China Songbai Branch | <u>90,000<sup>(1)</sup></u> | 20 June 2018 <sup>(2)</sup> | 5.66%                |
| <b>Total</b>  | <b><u>340,000</u></b>       |                             |                      |

*Notes:*

(1) Such loan was obtained through entrusted loan arrangement from an Independent Third Party.

(2) We have obtained credit facilities through entrusted loan arrangement from the same Independent Third Party with Industrial and Commercial Bank of China Songbai Branch of RMB90.0 million as of the Latest Practicable Date to replace such loan. For our relationship with such Independent Third Party, please see “Financial Information — Indebtedness” in this Prospectus.

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We have been able to effectively match our funding with our asset growth on an ongoing basis through regular review, adjustment and structuring of our funding sources and instruments in view of the changes in our business environment. We conduct regular capital planning, reporting and forecasting through our established and stringent capital budgeting procedures, and thereafter formulate appropriate funding plans that aim to mitigate our exposure to liquidity and interest rate risks. We manage our liquidity risks by regularly monitoring the relative maturities between our assets and liabilities and taking the necessary steps to maintain an appropriate and healthy balance of long-term and short-term funding sources. We manage the interest rate exposure arising from our interest payments on our bank and other borrowings and financing obligations by regularly assessing potential changes in interest rates and further strengthening our research capabilities to forecast interest rate fluctuations and trends by formulating regular tracking and reporting systems. Our bank borrowing agreements contain a number of covenants, undertakings, restrictions and other default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- transfer of material assets without the bank's prior approval;
- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or change of controlling shareholder(s) without the banks' prior approval;
- seeking additional financing from third parties for the underlying assets without the banks' prior approval; and
- failure to meet certain financial indicators set out in our bank borrowing agreements.

During the Track Record Period and up to the Latest Practicable Date, none of the banks or lenders had claimed default against us under any of the provisions in the bank borrowing or lending agreements and we had not breached any of the provisions in such a way that could result in any event of default.

## CUSTOMERS, SALES AND MARKETING

### *Our Customers*

We had over 1,000 customers located in over 20 provinces since our inception. During the Track Record Period, we mainly provided our equipment-based financing solutions to SMEs and entrepreneurial individuals from Fujian, Jiangxi and Shanghai. For the years ended 31 December 2016 and 2017, 76.8% and 81.7% of our total revenue was attributable to our customers from Fujian Province, respectively.

Revenue from our top five customers accounted for 60.2% and 47.1% of our total revenue for the years ended 31 December 2016 and 2017, respectively. Revenue from our largest customer accounted for 39.7% and 26.0% of our total revenue for the years ended 31 December 2016 and 2017, respectively. None of our top five customers during the Track Record Period were under the same group or the same controlling shareholder. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our high customer concentration may subject us to fluctuations or declines in revenue" in this Prospectus.

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The table below sets forth the details of our top five customers in terms of revenue for the year ended 31 December 2016:

| <u>Customers</u>   | <u>Scale of operations</u> | <u>Years of business relationship with us</u> | <u>Principal business activities</u>   | <u>Revenue contribution</u> | <u>Percentage of total revenue</u> |
|--|----------------------------|---|--|-----------------------------|------------------------------------|
|  |                            |   |  | <i>RMB'000</i>              | <i>%</i>                           |
| 晉江市益眾照明發展有限公司<br>(Jinjiang Yizhong Lighting Development Co., Ltd.*) . . . . .    | Large enterprise           | Two years and one month                       | Planning, construction, management and maintenance of street lights                            | 15,862                      | 39.7                               |
| 廈門高比特電子有限公司<br>(Xiamen Hi-BIT Electronics Co., Ltd.)                             | SME                        | Seven years and two months                    | Researching and developing broadband access equipment and providing related technical services | 2,516                       | 6.3                                |
| 宜春市中天機械設備租賃有限公司<br>(Yichun Zhongtian Machinery Equipment Leasing Co., Ltd.*) . . | SME                        | Four years and three months                   | Leasing construction machinery, equipment and facilities                                       | 2,500                       | 6.3                                |
| 江西中天機械有限公司<br>(Jiangxi Zhongtian Machinery Co., Ltd.) .                          | SME                        | Six years and three months                    | Manufacturing mining, metallurgy, construction, chemical equipment and lifting machinery       | 1,675                       | 4.2                                |
| 泉州合昌織造有限公司<br>(Quanzhou Hechang Weaving Co., Ltd.) . .                           | SME                        | Two years and ten months                      | Producing textiles and clothing  | 1,496                       | 3.7                                |

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The table below sets forth the details of our top five customers in terms of revenue for the year ended 31 December 2017:

| Customers   | Scale of operations | Years of business relationship with us | Principal business activities   | Revenue contribution<br><i>RMB'000</i> | Percentage of total revenue<br><i>%</i> |
|---|---------------------|--|---|--|---|
| 晉江市益眾照明發展有限公司<br>(Jinjiang Yizhong Lighting Development Co., Ltd.*) . . . . .         | Large enterprise    | Two years and one month                | Planning, construction, management and maintenance of street lights                   | 15,803                                 | 26.0                                    |
| 福建省鼎堅建設發展有限公司<br>(Fujian Dingjian Construction Development Co., Ltd.) . . . . .       | SME                 | Seven months                           | Housing construction and municipal roads, tunnels, bridges and buildings construction | 3,828                                  | 6.3                                     |
| 晉江百潤織造有限公司<br>(Jinjiang Bairun Weaving Co., Ltd.*) . . . . .                          | SME                 | One year and three months              | Weaving knitted fabric and manufacturing textiles and clothing                        | 3,657                                  | 6.0                                     |
| 福建省彬昌金屬製品有限公司<br>(Fujiansheng Binchang Metal products Co., Ltd.) . . . . .            | SME                 | Three years and one month              | Producing metal products, plastic packages and arts and crafts                        | 2,844                                  | 4.7                                     |
| 上海龐源機械租賃有限公司<br>(Shanghai Pangyuan Construction Machinery Rental Co., Ltd.) . . . . . | Large enterprise    | Seven months                           | Construction equipment and machinery equipment leasing                                | 2,507                                  | 4.1                                     |

During the Track Record Period, we entered into a framework agreement with Jingong Machinery, one of our connected persons. For the years ended 31 December 2016 and 2017, our revenue attributable to 176 and 338 customers referred by Jingong Machinery accounted for 4.4% and 2.7% of our total revenue, respectively. During the Track Record Period, we did not have any customers referred by other connected persons and/or related parties and their respective associates. For details, see “Continuing Connected Transactions — Non-exempt Continuing Connected Transaction” in this Prospectus.

Our Directors confirm that, as of the Latest Practicable Date, all of our top five customers were Independent Third Parties and none of our Directors, their associates or our Shareholders holding more than 5% of our issued share capital, to the knowledge of our Directors, had any interest in any of our top five customers.

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### *Sales and Marketing*

During the Track Record Period, we solicited our customers primarily through direct selling efforts of our sales and marketing department, advertisements and referrals. As of 31 December 2017, we had 11 employees in the sales and marketing department. Our sales and marketing department consists of our business managers and head of the sales and marketing department. Our business managers are responsible for sourcing new customers and they conduct business development activities through visiting potential customers' sites at their principal places of business, phone calls and sales campaigns. In addition, our business managers also attend industry associations' events to promote our business and broaden our reach to potential customers. When connecting with a potential customer, our business managers analyze the main products and market, revenue, asset size, leverage ratio and potential financing needs of the business operated or owned by such customer to assess the quality of the customer.

Over the years we have developed knowledge and experience in meeting the financing needs of customers from certain key sectors in manufacturing industry, such as textile and apparels and special-purpose equipment. SMEs and entrepreneurial individuals in these sectors have had continuous financing needs unmet by traditional sources of financing. We have close relationships with several equipment suppliers and have worked alongside them to source potential customers. In addition, we also work together with these equipment suppliers in developing new customers. Due to our trustworthiness and the efficient services provided to our customers, we enjoy a solid reputation in the finance leasing industry, especially in Fujian Province, which we believe has helped us maintain a stable customer base and achieve effective market penetration to potential customers.

Our sales and marketing personnel receive regular training that focuses on product awareness, sales and communications skills, business law, risk management, financial investigation and analysis, professional ethics, and new developments in the financing industry. We pay commissions to our sales and marketing personnel for business intake.

### *Pricing Policy*

Our finance leasing, factoring and advisory services include two types of income, namely, interest income and fee income. We charged interests in installments and one-time management fees for our finance leasing and factoring services, which were both recognized as our interest income, using effective interest rate method, during the Track Record Period. We charged advisory fees for our value-added advisory services, which were recognized as our advisory fee income, during the Track Record Period.

We consider a number of factors in determining the interest rate that we charge on a lease, including the customer's background and credit history, regardless whether the lease is secured or unsecured, the value of collateral, if any, the quality of the guarantee, the use of funds, and the term of the lease. For the years ended 31 December 2016 and 2017, the average effective interest rate per annum on our leases, or the interest income yield for finance leasing business, was 10.3% and 12.1%, respectively. We consider the similar factors in determining the interest rates that we charge for our factoring services, including the customer's background and credit history, regardless whether the loans and receivables are secured or unsecured, the value of collateral, if any, the quality of the guarantee and

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the term of the factoring agreements. For the years ended 31 December 2016 and 2017, the average effective interest rate per annum for providing our factoring services was 23.5% and 10.6%, respectively.

The management fees in relation to our financing and management services for finance leasing and factoring customers as well as the advisory fees in relation to our advisory services for advisory customers that we charge vary based on the actual services provided to individual customers in the respective industries. Such management fees and advisory fees will be negotiated before we enter into any agreement with the customers on a case-by-case basis. Our management fees are determined primarily based on: (i) the nature of our management and advisory services; (ii) the industries in which the customer operates; (iii) our relationship with the customer; and (iv) the importance of the customer to our overall business. The annual rate of our management fee normally ranges from 1.0% to 1.5% of the financing amount that we grant to our customers.

### PROVISIONING POLICIES AND ASSET QUALITY

#### *Asset Quality Classification*

We measure and monitor the asset quality of our finance lease receivables portfolio by the length of time for which finance lease receivables has been overdue.

The overdue finance lease receivables will be classified according to the following standards: (i) when a monthly payment is overdue for more than 30 days, the total outstanding balance of such finance lease receivables will be considered as overdue; and (ii) when a monthly payment is overdue within 30 days, the balance of such installment, rather than the total outstanding balance of such finance lease receivables, will be considered as overdue. Any finance lease receivables which is overdue for more than 90 days will be considered as impaired unless other observable evidence exists. According to Frost & Sullivan, using a 90-day timeframe to assess the amount of non-performing assets is consistent with industry practice in finance leasing industry. We monitor our impaired finance lease receivables closely and dispose of the assets underlying a lease when necessary. We record a loss if our customer is unable to make lease payments in full and/or in a timely manner and we determine there is little likelihood of continued payment. After taking all possible collection measures or going through all necessary legal procedures, we write off such impaired finance lease receivables upon obtaining evidence of our customer's inability to repay. Our non-performing assets were RMB32.5 million and RMB14.6 million as of 31 December 2016 and 2017, respectively. For details, see "Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy" in this Prospectus.

#### *Five-category Asset Quality Classification*

As advised by our PRC Legal Advisers, there were no PRC laws, regulations or rules that require non-bank finance leasing companies to classify the asset quality of their finance lease receivables as of the Latest Practicable Date. However, we voluntarily put in place a five-category asset quality classification system that is modeled after the statutory requirements relating to asset quality classification promulgated by the CBRC for finance leasing companies and other financial institutions subject to its regulation. We have implemented such system since 2015, and classified our assets in normal, special-mention, substandard, doubtful and loss. Our five-category asset quality classification system is modified based on, but differs slightly in descriptions of the definition of each category from,

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the traditional CBRC model. Our Directors confirm that such differences are not material and do not change the result of classification of our assets. We believe that our modified model better reflects the characteristics of the finance leasing industry, as well as provides a more accurate accounting treatment of different categories of assets. Such classification provides us with a better understanding of the quality of our assets, and it also serves as an indicator on how well our general business operation is.

The definition of each category of finance lease receivables is set forth below:

- *Normal:* There is no reason to doubt that the lease 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 receivables will be impaired. If lease payments have always been made in full in a timely manner, the finance lease receivables under these leases should be classified as normal.
- *Special-mention:* Even though the lessee has been able to make the lease payments in a timely manner, there are still factors that could adversely affect its ability to repay. Under these circumstances, the lease payable period may be adjusted but there are no expected losses on finance lease receivables because the lessee still has the ability and source of funds to repay the finance lease receivables in full. As long as payment overdue occurs, finance lease receivables for these leases should be classified as special-mention or a lower category.
- *Substandard:* The lessee's ability to repay is in question when it is unable to make its payments in full if it were to rely solely on its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any lease assets, guarantees or collateral underlying the finance leasing agreement.
- *Doubtful:* The lessee's operations are partially or completely suspended, and its ability to repay is entirely in doubt as it is unable to make lease payments in full and/or in a timely manner. Under these circumstances, we are likely to incur significant losses notwithstanding the enforcement of any lease assets, guarantees or collateral underlying the finance leasing agreement.
- *Loss:* After taking all possible steps or going through all necessary legal procedures, lease payments only a very limited portion has been recovered.

The following table sets forth the breakdown of the net amount of our finance lease receivables by category as of the dates indicated:

|  | As of 31 December     |                     |                       |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
|  | 2016                  |                     | 2017                  |                     |
|  | <i>RMB'000</i>        | %                   | <i>RMB'000</i>        | %                   |
| Normal . . . . .   | 345,852               | 77.0                | 591,537               | 95.4                |
| Special-mention . . . . .                                | 70,805                | 15.7                | 13,685                | 2.2                 |
| Substandard . . . . .                                    | 15,966                | 3.6                 | 0                     | 0                   |
| Doubtful . . . . .                                       | 13,627                | 3.0                 | 9,689                 | 1.6                 |
| Loss . . . . .   | 2,947                 | 0.7                 | 4,948                 | 0.8                 |
| <b>Net amount of finance lease receivables . . . . .</b> | <b><u>449,197</u></b> | <b><u>100.0</u></b> | <b><u>619,859</u></b> | <b><u>100.0</u></b> |



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### *Provision for Finance Lease Receivables*

We assess impairment either collectively or individually as appropriate. We assess our finance lease receivables for impairment, determine a level of provision for impairment losses, and recognize any related provision at the end of each relevant period. Our allowances for impairment losses on finance lease receivables amounted to RMB21.3 million and RMB19.4 million, respectively, representing 4.7% and 3.1% of the net amount of finance lease receivables as of 31 December 2016 and 2017, respectively. For reasons why the allowances for impairment losses as of 31 December 2017 were higher than the total receivables classified as “substandard” and below, see “Financial Information — Liquidity and Capital Resources — Selected Items of the Consolidated Statements of Financial Position — Finance lease receivables” in this Prospectus. Provision for finance lease receivables that has been our non-performing assets is made based on our assessment of the recoverability of such assets. The identification of non-performing assets requires our management’s judgment and estimates. For details, see “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy” in this Prospectus.

Our non-performing assets were RMB32.5 million and RMB14.6 million as of 31 December 2016 and 2017, respectively.

The following table sets forth the movement in our non-performing assets during the Track Record Period:

|                                       | As of 31 December |               |
|---------------------------------------|-------------------|---------------|
|                                       | 2016              | 2017          |
|                                       | RMB'000           | RMB'000       |
| <b>At beginning of the year</b> ..... | 36,099            | 32,540        |
| Downgrades <sup>(1)</sup> .....       | 1,896             | —             |
| Recoveries .....                      | (4,378)           | (15,937)      |
| Write-offs .....                      | (1,077)           | (1,966)       |
| <b>At end of the year..</b> .....     | <u>32,540</u>     | <u>14,637</u> |

*Note:*

- (1) Downgrade represents downgrades of finance lease receivables classified as normal or special-mention at the end of the previous year and finance lease receivables newly reclassified in the current year to non-performing categories.

As of 31 December 2016 and 2017, our non-performing assets were related to 12 and 12 finance leasing agreements, respectively, and the value of underlying assets amounted to RMB34.6 million and RMB12.5 million, respectively, covering approximately 106% and 85% of our non-performing assets as of the same dates. During the Track Record Period, we extended the maturity term of 8 agreements with one lessee, the financial lease receivables of which amounted to RMB10.5 million as of 31 December 2017. During the four months ended 30 April 2018, we extended the maturity term of 15 agreements with two lessees. As of 30 April 2018, the finance lease receivables of such 15 extended agreements amounted to RMB10.4 million. During the Track Record Period and up to the Latest Practicable Date, we did not dispose of any non-performing assets.

As advised by our PRC Legal Advisers, because we are not commercial banks or other financial institutions which are approved to establish by CBIRC, we are not required to make general provision as the commercial banks and other financial institutions under the supervision of the CBIRC. Instead, our provisioning policies are based on relevant or applicable accounting standards and guidelines.

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### *Leased Assets and Collateral*

In most cases, we seek to keep the funding we provide to our customers below 80.0% of the net value of the assets underlying the leases. In general, pursuant to industry practice, the ownership of the leased assets is transferred to the lessor to secure the finance leases. We have also adopted such practice and, during the Track Record Period, we obtained legal titles to all the assets under our finance leasing agreements. According to the terms of such agreements, we have the right to immediately and unilaterally dispose of such assets if any customer defaults on the related finance lease. Moreover, in order to better manage our credit risk, we also require lessees and related parties to provide additional collateral and/or guarantees. Such additional collateral and/or guarantees include: (i) joint and several guarantees from the finance leasing customer's legal representative, major shareholders, related parties and third parties; (ii) machinery equipment and commercial and residential properties; and (iii) guarantees from the equipment suppliers with a framework agreement with us. If the customer's ability to repay has been seriously affected by internal or external factors, which are likely to last over a long period of time, or such customer applies for extension of the lease payments, we will usually require such customer to: (i) add guarantees from third parties with sufficient resources and ability to repay the principal and interest under the finance leasing agreements; and (ii) provide additional collateral.

For direct finance leasing, we assess the value of the assets underlying the leases based on the purchase price of the assets. For sale-leaseback, we assess the value of the assets underlying the leases based on factors such as replacement costs and net value of such assets. We determine the value of the collateral at the average market price of similar properties in the similar locations.

Our total leased assets amounted to RMB721.2 million, RMB712.1 million and RMB701.2 million as of 31 December 2016 and 2017 and 30 April 2018, respectively. The table below sets forth our range of and aggregate coverage ratio, loan to value ratio, value to collateral for our outstanding finance lease receivables and range of the terms of our finance leasing agreements as of the dates indicated:

|  | As of 31 December           |                             | As of 30 April                            |
|--|-----------------------------|-----------------------------|---|
|  | 2016                        | 2017                        | 2018                                      |
| Range of coverage ratio of individual lease                            | 0.93 <sup>(3)</sup> –268.78 | 0.94 <sup>(3)</sup> –289.50 | 0.92 <sup>(3)</sup> –45.46 <sup>(4)</sup> |
| Aggregate coverage ratio <sup>(1)</sup> . . . . .                      | 1.74                        | 1.25                        | 1.27                                      |
| Loan to value ratio <sup>(2)</sup> . . . . .                           | 0.58                        | 0.80                        | 0.79                                      |
| Range of coverage ratio including<br>additional collateral . . . . .   | 0.93 <sup>(3)</sup> –268.78 | 0.94 <sup>(3)</sup> –289.50 | 0.92 <sup>(3)</sup> –45.46 <sup>(4)</sup> |
| Aggregate coverage ratio including<br>additional collateral . . . . .  | 1.89                        | 1.87                        | 1.90                                      |
| Loan to value ratio including<br>additional collateral . . . . .       | 0.53                        | 0.54                        | 0.53                                      |
| Value of additional collateral (RMB'000) .                             | 63,318                      | 351,413                     | 344,781                                   |
| Range of the terms of finance leasing<br>agreements (months) . . . . . | 6–60                        | 4–60                        | 6–60                                      |

*Notes:*

(1) Our aggregate coverage ratio is calculated as the value of total leased assets divided by the outstanding finance lease receivables, netting off deposits from finance leasing customers, as of the year end.

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- (2) Loan to value ratio is calculated as the outstanding finance lease receivables, netting off deposits from finance leasing customers, divided by the value of total leased assets as of the year end.
- (3) There were five, four and two finance leasing agreements as of 31 December 2016 and 2017 and 30 April 2018, respectively, for which the coverage ratio was below 1. We have obtained joint-liability guarantees from guarantors for these finance leasing agreements.
- (4) The high end of the range of coverage ratio as of 30 April 2018 decreased significantly compared to that as of 31 December 2016 and 2017 mainly because as of 31 December 2016 and 2017, there were certain finance leasing agreements close to their maturity with a relatively small outstanding balance while the net value of the underlying lease assets were relatively higher after depreciated with relevant assets' useful lives, which are longer than the lease terms.

Our loan to value ratio increased from 0.58 as of 31 December 2016 to 0.80 as of 31 December 2017 and kept stable at 0.79 as of 30 April 2018. The increase in the loan to value ratio during the Track Record Period is mainly because we required additional collateral for certain finance leasing agreements and assessed the loan to value ratio after taking into account the additional collaterals during the review process of lease applications in 2017. Our loan to value ratio including additional collateral remained stable at 0.53, 0.54 and 0.53 as of December 2016 and 2017 and 30 April 2018, respectively.

The following table sets forth a breakdown of the value of our leased assets by type as of the dates indicated:

|   | <u>As of 31 December</u> |                       | <u>As of 30 April</u> |
|---|--------------------------|-----------------------|-----------------------|
|   | <u>2016</u>              | <u>2017</u>           | <u>2018</u>           |
|   | <i>RMB'000</i>           | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Infrastructure and construction equipment . . . . . | 505,391                  | 514,202               | 502,677               |
| General machinery equipment . . . . .               | 201,767                  | 168,825               | 164,716               |
| Others . . . . .                                    | <u>14,003</u>            | <u>29,040</u>         | <u>33,812</u>         |
| <b>Total . . . . .</b>                              | <b><u>721,161</u></b>    | <b><u>712,067</u></b> | <b><u>701,205</u></b> |

Our finance lease receivables are mainly secured by the leased assets, as well as security deposits from our customers. The infrastructure and construction equipment and general machinery equipment are essential and commonly used for the business operations in the respective industries. They are general assets and are not specific or tailor-made to particular users. Our Directors believe that as there is a constant need for such assets, we should not have significant difficulty in selling these assets in the market. Our Directors also believe that the liquidity of our leased assets is increased by guarantee and recourse arrangements.

As of 30 April 2018, the total value of additional collateral amounted to approximately RMB344.8 million. The following table sets forth a breakdown of the value of additional collateral by type as of the dates indicated:

|                                  | <u>As of 31 December</u> |                       | <u>As of 30 April</u> |
|----------------------------------|--------------------------|-----------------------|-----------------------|
|                                  | <u>2016</u>              | <u>2017</u>           | <u>2018</u>           |
|                                  | <i>RMB'000</i>           | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Commercial properties . . . . .  | 20,850                   | 134,313               | 134,256               |
| Residential properties . . . . . | 42,468                   | 180,720               | 176,145               |
| Accounts receivable . . . . .    | <u>0</u>                 | <u>36,380</u>         | <u>34,380</u>         |
| <b>Total . . . . .</b>           | <b><u>63,318</u></b>     | <b><u>351,413</u></b> | <b><u>344,781</u></b> |

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We granted finance leases at higher loan to value ratio to the customers who provided residential and commercial properties as additional collateral. For finance leases with additional collateral, the loan to value ratio with additional collateral remains under 60%. Our Directors believe that we do not expect to have significant difficulty in selling these commercial and residential properties in the market because there is a constant need for them due to their value-preserving nature.

### COMPETITION

The opening up of China's finance leasing industry has resulted in increased competition. Our competitors are mainly CBIRC-regulated financial leasing companies, MOFCOM-regulated finance leasing companies, independent leasing companies and other financial service companies that operate on a similar scale with a similar target customer base to ours. CBIRC-regulated financial leasing companies typically focus on leasing to large state-owned enterprises and have a customer base largely built on the customer network of their parent banks. Domestic-funded pilot finance leasing companies that are set up by large equipment manufacturers typically focus on supporting their equipment sales and plan their business expansions in line with the demand for their equipment. Compared to CBIRC-regulated financial leasing companies and domestic-funded pilot finance leasing companies that are set up by large equipment manufacturers, independent leasing companies utilize diversified capital sources and provide services to a relatively broader customer base characterized by greater flexibility, independence and discretion.

According to Frost & Sullivan, as of 31 December 2017, there was a total of 371 licensed finance leasing companies registered in Fujian Province that were permitted to carry out finance leasing businesses. We ranked sixth in terms of revenue in 2017 among all finance leasing companies registered in Fujian Province. For details, see "Industry Overview" in this Prospectus.

Due to the rapid development of the entire industry, the barriers to enter the finance leasing industry appear to be eased. The State Council lowered the registered capital requirement for finance leasing companies in 2015. As a result, we face a much more competitive market. The typical entry barriers into the finance leasing industry include operational qualification, initial registered capital, strong and sustainable funding capabilities, professional risk management, and sales and marketing strengths. In response to the competitive environment, we intend to continue to implement our strategies to differentiate us from our competitors and to enable us to compete effectively in the finance leasing industry.

### INFORMATION TECHNOLOGY

We believe that computerized information technology systems are critical to supporting our business process and strengthening our risk and financial management capacities. To manage our financial resources, we have utilized U8 Financial Software (用友財務軟件) since April 2010, which enables us to record financial data, analyze our historical financial performance and monitor our financial condition.

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In addition, we implemented a Kingdee ERP system (金蝶企業管理軟件) since 2014 to further enhance our business operation management to support our expanding business. The Kingdee ERP system allows us to support our finance leasing business process by encompassing the management of our sales and marketing activities, customer information, lease approval and granting processes, and monitoring and reporting lease portfolio. The system also allows real-time data flow and integration of information for our business operations and accounting system. We believe that the robust information management system helps us by enhancing the exchange of information among our various functional business units and improves our operating efficiency.

During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. For details, see “Risk Factors — Risks Relating to Our Business and Industry — We may experience disruptions to our information technology systems” in this Prospectus.

### INSURANCE

We maintain asset insurance for most of the equipment underlying our leases to cover any loss or damage to such equipment during the terms of the lease agreements. The insurance premiums are generally paid by our customers in line with the industry practice, and we are the first beneficiary of such insurance policies. During the Track Record Period, other than the aforesaid asset insurance, we did not maintain any credit insurance, business interruption insurance or third-party liability insurance.

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance.

Based on the industry practice in China, our experience in running our businesses, the availability of insurance products in China and advice received from insurance agents, our Directors are of the view that we have sufficient insurance coverage for our current operations.

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we registered two trademarks in China and two trademarks in Hong Kong, and had applied to register six trademarks in China with the State Intellectual Property Office of the PRC (中國國家知識產權局). We also had two domain names, [www.byleasing.com](http://www.byleasing.com) and [www.byleasing.cn](http://www.byleasing.cn), in China. As of the Latest Practicable Date, we did not license any of our intellectual property rights to any third parties.

Our Directors confirm that we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent as of the Latest Practicable Date.

For details of our intellectual property rights, see “Appendix IV — Statutory and General Information — Further Information about Our Business — 8. Intellectual Property Rights” in this Prospectus.

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### EMPLOYEES

As of the Latest Practicable Date, we had 30 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of 31 December 2017:

|                               | <u>Number of<br/>employees</u> |
|-------------------------------|--------------------------------|
| Senior management . . . . .   | 4                              |
| Sales and marketing . . . . . | 11                             |
| Risk management . . . . .     | 4                              |
| Asset management . . . . .    | 4                              |
| Finance . . . . .             | 3                              |
| Administration . . . . .      | <u>5</u>                       |
| <b>Total</b> . . . . .        | <b><u>31</u></b>               |

For the years ended 31 December 2016 and 2017, we incurred staff cost of RMB3.6 million and RMB6.0 million, respectively, representing 48.3% and 37.1% of our total operating expenses of the corresponding periods.

We recruit our personnel through recruiting websites and job fairs. We have established effective employee incentive schemes and appraisal systems to correlate the remuneration of our employees with their overall performance and contribution to us rather than operational results, and have established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority, but also in terms of professional classification. Our employees are reviewed on a yearly basis on the basis of, among other criteria, their performance to achieve stipulated performance targets, such as budget targets, and their risk management capabilities on the operational matters under their charge.

We have a labor union that protects our employees' rights, assists us in attaining our economic objectives and encourages employees to participate in management decisions. During the Track Record Period, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

We place great emphasis on the training and development of our employees. We have developed a series of training courses with individualized emphasis and focus based on our accumulated industry experience over the years since we entered the finance leasing industry. We invest in continuing education and training programs for our management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

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, maternity insurance, and housing funds for our employees. As of the Latest Practicable Date, we had complied with all statutory social insurance obligations applicable to us under PRC laws in all material aspects.

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### PROPERTIES

#### *Leased Properties*

As of the Latest Practicable Date, we did not have any owned properties and we leased two properties in China, the details of which are set forth below:

- (i) our headquarters is located at 30/F, Huijin International Center, No.77 Tai Nan Road, Guanyinshan, Siming District, Xiamen with an aggregate gross floor area of approximately 1,015 m<sup>2</sup>. On 1 November 2017, we entered into an office lease agreement with Septwolves Asset Management for a term of one year commencing from 1 November 2017 at a monthly rent of RMB76,125. We consider the rent to be at the fair market price for an office of similar size in a similar office building. For details, see “Continuing Connected Transactions — Exempt Continuing Connected Transactions” in this Prospectus; and
- (ii) our registered office is located at No. 70-4, Exemption Market Building, No. 88, Xiangyu Road, Fujian Free Trade Area Xiamen Sub-area, Xiamen with an aggregate gross floor area of approximately 185.79 m<sup>2</sup>. On 1 November 2017, we entered into an office lease agreement with one of our Controlling Shareholders for a term of one year commencing from 1 November 2017 at a monthly rent of RMB8,360. We consider the rent to be at the fair market price for an office of similar size in a similar office building. For details, see “Continuing Connected Transactions — Exempt Continuing Connected Transactions” in this Prospectus.

Our PRC Legal Advisers confirmed that the lessors of the above properties are the owners of the respective properties. In addition, as of the Latest Practicable Date, we had duly registered the lease agreements with the relevant regulatory authorities.

In addition, during the Track Record Period, we leased one property in Lhasa, Tibet from an Independent Third Party to use as the office of our Previous Tibet Subsidiary, which was disposed by us in November 2017 during the Reorganization. During the Track Record Period, we did not experience any dispute arising out of our leased properties.

According to Chapter 8 of the GEM Listing Rules and section 6(2) of the Companies Ordinance Notice (Exemption of Companies and Prospectuses from Compliance with Provisions), 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 of 31 December 2017, the carrying amount of our property interest was less than 15% of our consolidated total assets.

### ENVIRONMENTAL COMPLIANCE

As a financial services provider, we are not subject to any environmental regulation. As of the Latest Practicable Date, we did not have any environmental liabilities and did not expect to incur any environmental liabilities that could have any material impact on our financial condition or business operations in the future.

**RISK MANAGEMENT*****Credit Risk Management***

As a finance leasing company dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals, credit risk is the most significant risk inherent in our business. Credit risk arises from a customer's inability or unwillingness to repay its financial obligations owed to us in a timely manner or at all. We have adopted an assessment and approval process in order to effectively identify, manage and minimize credit risks in connection with each lease that we grant. For details of the key procedures of our business process, see "— Business Process" in this Prospectus. We have also adopted a series of credit risk management procedures during the Track Record Period, the details of which are set out below. Our deputy manager, Mr. Deng Huaxin, oversees our credit risk management.

**Lease application**

The credit risk management process begins with a lease application. Our business managers will respond to the initial inquiries from a lease applicant, analyze such applicant's financial needs and financing plans, and recommend appropriate repayment plan.

**Initial review**

Our business department conducts the initial review of a lease application, including the completeness, legality, authenticity and validity of the materials provided by the customer, and considers whether to accept a customer's application pursuant to our application acceptance procedure. We may also consider other general conditions, including relevant laws and regulations, macroeconomic conditions and developments in the industry in which the customer operates, when we review the lease application. Our business department may reject a customer's application at the initial stage if such customer does not meet the basic eligibility requirements, such as the legality of its businesses, stable income and track record for an enterprise customer or stable income and credit record for an individual customer.

**Due diligence and risk assessment**

The key due diligence processes after acceptance of a lease application include:

- *Investigation and due diligence processes:* our business managers will collect materials covering three areas, namely, the applicant's basic information, financial condition and non-financial condition. With respect to the applicant's basic information, we collect information including an enterprise applicant's registered capital, proposed use of funds and source of payment, business operation and strategies, and main products and key technologies. With respect to the applicant's financial condition, we examine and reconstruct the applicant's financial information by collecting applicant's utilities bills, information of production lines, facilities and equipment, sales orders and other materials that we deem relevant. We also conduct analysis on the applicant's business to assess the relevant financial risks. With respect to the applicant's non-financial condition, we investigate the management team of the applicant, relevant industry and market development, product and technology information, credit and litigation records of the applicant. After the foregoing investigation and due diligence processes, our business managers will prepare a due diligence report.



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- *Parallel risk assessments:* in order to better identify risks involved in a lease application, our risk management managers will conduct parallel risk assessments for a lease application, including assessments on the completeness of application materials and security provided by the applicant. Our risk management managers will also conduct on-site visits to inspect the operations and/or production facilities of the applicant. Wherever practical and relevant, we will also conduct interviews with the applicant and/or any person who has personal or business relationships with such applicant to have a comprehensive understanding of the applicant's background, personality and integrity. After such parallel risk assessment, the risk management managers or a designated employee will prepare a risk assessment report;
- *Use of "soft information" indicators (軟指標):* in order to help assess the creditworthiness of the applicant and verify the materials provided by it, we collect "soft information" during the due diligence processes, including the applicant's reputation and track record, the expertise and experience of an individual applicant or the direct/indirect controlling shareholder(s) and key management of an enterprise applicant, and the applicant's upstream and downstream counterparties in local and national markets;
- *Due diligence on guarantors:* guarantors of leases that we extend to our customers are generally individuals and/or non-financial institutional enterprises. Guarantors of leases that we extended to our customers generally include: (i) equipment suppliers of the customers; and (ii) related parties of the customers and other third parties. And we adopt the following assessment procedures:
  - we identify the nature of guarantors by three categories, namely individuals, the enterprises not engaged in providing guarantee services and the institutions engaged in providing guarantee services. Where the guarantor is an individual, we will review his identification, nationality and capacity of civil conduct. Where the guarantor is the enterprise not engaged in providing guarantee services, we will review its business license, articles of association and other relevant documents if necessary. Where the guarantor is an institution engaged in providing guarantees for financing services, we will review its business license and other relevant permits and licenses required for its establishment and operations. During the Track Record Period and up to the Latest Practicable Date, we did not have any such institutions as guarantors;
  - we review the creditworthiness of the guarantors using a process that is similar to our review of a customer's creditworthiness, mainly including the guarantor's basic information, financial information, such as assets, liabilities, revenue and profit, credit and litigation records and the relationship between the guarantor and/or its controlling shareholders and the customer. Where the guarantor is an individual, we will also investigate his education background, occupation, professional experience, liabilities and credit and litigation records. We pay more attention to whether the guarantor has the independent and sufficient ability of repayment;
  - our business managers may conduct on-site visits to inspect the operations and/or production facilities of the guarantors;
  - if the guarantor is also our customer, we will evaluate the balance of its existing finance leasing agreements to assess the amount for which such guarantor can guarantee;

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- we may require the guarantor to provide additional security measures if we deem necessary to enhance the security of the leases;
- we also continue to monitor guarantor’s financial condition periodically. We will conduct quarterly and annual on-site inspections at the guarantor’s place of business to re-assess its assets and/or operations in Fujian Province and outside Fujian Province, respectively. We will also submit assessment report based on such on-site inspections;
- our risk management managers will also conduct online searches on any adverse information of the guarantor from time to time; and
- we also re-evaluate the guarantor by reviewing its annual report. In terms of individuals as guarantors, we will require them to provide sufficient assets certifications periodically. The results of the review of guarantors form part of the basis of our conclusion of a customer’s creditworthiness. As advised by our PRC Legal Advisers, guarantees, which are provided by third parties as the guarantors, are in compliance with Guarantee Law of PRC (中華人民共和國擔保法), Contract Law of PRC (中華人民共和國合同法) and other relevant PRC laws and regulations after reviewing guarantee agreements;
- *Due diligence on collateral:* where tangible assets are provided as collateral, we conduct on-site visits to inspect such collateral and monitor closely the volatility of the value of the collateral provided by our customers, especially the real properties; and
- *Anti-money laundering measures:* we adopt a series of measures to prevent money laundering. We generally investigate the legality of customer’s business, analyze its needs and purpose of financing, investigate suspicious activities and records of money laundering, monitor the usage of granted loan, and identify legality of source of repayments. We also provide training to our staff on anti-money laundering on an ongoing basis.

### **Assessment and approval**

Once a lease application passes the review of our business department and risk management department, such lease application will be subject to a final assessment and approval by our risk management committee and our general manager.

Our credit review focuses on evaluating the customer’s ability and willingness to pay its financial obligations when they fall due. To this end, in addition to documentary review, we take advantage of the “soft information” we gather during the due diligence processes to analyze a customer’s creditworthiness. We collect, organize and consider all the relevant information, including the customer’s financial and non-financial condition, the purpose of the financing, the guarantor’s financial condition and creditworthiness, the value of the collateral and the “soft information” wherever relevant, to form the basis for our personnel in charge of lease assessment and approval to evaluate the customer’s creditworthiness.

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### **Rejection**

Typically, we reject a lease application for one or more of the following reasons:

- the lease applicant has sustained losses or recorded negative operating cash flows for three consecutive years;
- the lease applicant has a high leverage ratio;
- the lease applicant has used illegal or fraudulent means to obtain financing, or is using the financing for illegal purpose;
- the lease applicant has continuously increased the financing amount without specific and reasonable purposes;
- the lease applicant is conducting business in an illegal way;
- the lease applicant has a bad credit record; and
- the lease applicant is involved in or is likely to be involved in disputes or lawsuits which will have a material and adverse effect on its business.

During the Track Record Period, we rejected 34 and 27 lease applications for the years ended 31 December 2016 and 2017, respectively, accounting for 31.2% and 32.9% of total lease applications, respectively, during the same periods.

### **Post-grant review**

We conduct periodic inspections of the assets underlying the leases to monitor the risks associated with the leases. We periodically conduct on-site visits or telephone interviews with our customers to check the conditions of the leased assets and determine whether there is any loss, damage and abnormal depreciation. If there is loss, damage and abnormal depreciation, we will require the lessee to provide additional guarantees or collateral to secure the lease. If there is no loss, damage and abnormal depreciation, we will calculate the depreciation of the leased assets based on their useful lives to assess the value of the leased assets at that time in our post-grant review. During our post-grant review, we will examine various aspects of the business operations of the lessees including one or more of the following:

- if the lessee has used the equipment in a proper and reasonable way;
- the normal operation of the lessee's business;
- the change in lessee's assets, inventory and accounts receivable; and
- if the lessee is involved in material disputes or lawsuits.

### **Extension**

Subject to our discretion, our customers may apply for extension of their respective lease payments before the expiry of the lease term. We determine whether to accept the extension application considering the following aspects: (i) whether the customer maintains a good credit record; (ii) whether the customer shows good faith in fulfilling its repayment obligations; (iii) whether there is material deterioration of the value of the assets underlying the lease; and (iv) whether the customer's collateral and guarantees are able to cover its outstanding finance lease receivables. Applications will be firstly reviewed by our business department and risk management department and then submitted to our risk management committee for approval.

### **Collection**

In general, the lessees are required to make monthly payments on our leases. Moreover, in order to ensure that the monthly payments will be made on time, our business manager and asset management department will notify our customers three Business Days by phone calls, text messages or emails before the monthly payments fall due. Our asset management department is responsible for the collection of overdue payments from our customers. Any lease with monthly payment not made in full upon the due date will be considered as overdue and default. When a customer defaults, we take proactive measures to communicate with such defaulting customer in a timely manner. If our customers fail to make monthly payments within seven days after the due date, the head of our business department will assign a designated business manager to conduct on-site visits to our defaulting customers and collect the payments. If our customers fail to make monthly payments within 15 days after the due date, the designated business manager will call our defaulting customers every day and report to the head of our business department and risk management department. Our risk management department will issue a collection letter (催收函) to our defaulting customers. If our customers fail to make the monthly payments within 30 days after the due date, the head of our business department will conduct an on-site visit to inspect the assets underlying our leases with personnel from our asset management department. If our customers fail to make two successive monthly payments within 15 days after the second due date, we will issue a formal attorney letter to such defaulting customers. If our customers fail to make two successive monthly payments within 30 days after the second due date, we will notify our external legal adviser or legal personnel from our risk management department to prepare for legal actions. If our customers fail to make three successive monthly payments or under circumstances which we consider appropriate, we will initiate lawsuits or arbitrations against our defaulting customers and seek repossession of the assets underlying our lease. During the Track Record Period and up to the Latest Practicable Date, we did not engage any third-party agents to facilitate receivable collection.

We initiate legal proceedings as our last resort. Before we initiate any legal proceedings against the defaulting customers, we take collection measures, such as sending collection letters or making phone calls, regularly to ensure the relevant statute of limitations for our claims will not expire. We also seek repossession of the assets underlying our leases from our customers. If the leases are guaranteed by guarantor(s), we follow the same collection procedures with the guarantor(s) as we do with the defaulting customers and demand that the guarantor(s) repay the overdue payments. For collateral-backed leases, we will seek to dispose of such collateral for value and apply all or part of such value towards the repayment of the leases. During the Track Record Period and up to the Latest Practicable Date, we did not take possession of any collateral from debtors.

### **Risk responsibility scheme**

In order to reinforce the incentives for the business managers and the relevant personnel in charge of lease assessment and approval to exercise the utmost care to manage the credit risks involved in our business, we have adopted a risk responsibility scheme. Under such scheme, the business managers, the risk management manager and the relevant personnel in charge of lease assessment and approval may take varying shares of responsibility for the loss resulting from the customer's default. The bonuses of such employees may be adversely affected by such responsibility for the losses.

### ***Liquidity Risk Management***

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. Our risk management department is primarily responsible for managing liquidity risk. To address liquidity risk, we have undertaken the following measures:

- striving to match the duration of each of our finance leasing and factoring agreements (generally not more than three years) with bank borrowings that are on similar terms;
- seeking balance of our liabilities, working capital and assets;
- managing our cash flow through a monthly operating budget that is monitored and adjusted, if necessary, on a weekly basis;
- analyzing whether we will be able to obtain borrowings at a cost that matches our finance leasing and factoring transactions; and
- monitoring financial indicators relevant to the assessment of our liquidity risk, such as debt to asset ratio and liquidity coverage ratio, to avoid mismatch of our assets and liabilities.

### ***Debt Management***

We have an established system to manage our debt in a legal, effective and reasonable manner, taking into consideration our business plan, business strategies, risk-taking capability and capital structure. We manage our debt based on the following principles:

- *Determine a reasonable level of debt:* we formulate annual and mid- to long-term financing plans and monitor our debt level, especially our asset to debt ratio, according to our business development. At the beginning of each financial year, we determine a reasonable level of debt in accordance with our business plan for the year, business strategies, risk-taking capability and capital structure. Based on our financing plans and such level of debt we determine, we execute our business plan and adjust our level of debt in necessary.
- *Set up management targets and allocate management responsibilities:* we file and record our assets and liabilities, monitor our debt level and formulate repayment plans, and undertake post-repayment management according to the due date.

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- *Maximize the utilization of our capital and lower financing costs:* when allocating funds and determining the timing for borrowing, we take into account the progress of our current projects and the relevant cash flow, and the historical return of cash flow of similar projects, to avoid having excessive funds and improve the efficiency of our use of funds. We strive to reduce interest expenses as much as possible in order to minimize our funding cost. We consider the likelihood of reduction in interest rates in the future and strive to incur the lowest interest rates for our borrowings. If the interest rate is expected to decline, we will negotiate with the relevant bank for short-term borrowings with fixed interest rates, or long-term borrowings with fluctuating interest rates. If the interest rate is expected to increase, we will negotiate with the relevant bank for long-term borrowings with fixed interest rates.
- *Arrange appropriate means of funding and plan proportional debt repayment structure:* we arrange appropriate means of funding, taking into account the different funding types, structures and interest rates, so that we can plan our funding in advance to limit our risk exposure by allocating short-, mid- and long-term funding according to the use of funds, duration of projects and timing of our cash inflow to avoid pressure on our cash flow due to concentration of our repayment schedules. We also strive to spread out our repayment period. The repayment period is arranged after taking into account a comprehensive forecast of the repayment schedules for repayments from our customers to us.

As our business expands, we will endeavor to strictly comply with regulatory restrictions in relation to our assets and debt, effectively manage debt-related risks, and ensure that the level of our debt is maintained at a reasonable level. Our Directors expect our level of debt to be similar to our current level going forward.

### ***Operational Risk Management***

We are exposed to various risks associated with our operations and have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our key risk management objectives include: (i) identifying different risks of our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) execution of measures to respond to risks.

Our Board oversees and manages the overall risks associated with our operations. Our risk management department is responsible for assessing and managing risks at the operational level. Moreover, we have established an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Mr. Tu Liandong (涂連東先生), who serves as chairman of the committee, Mr. Chen Chaolin (陳朝琳先生) and Mr. Ke Jinding (柯金鏞先生). For the qualifications and experience of these committee members, see “Directors and Senior Management” in this Prospectus.

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In order to improve our corporate governance, we have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session on 4 December 2017 in respect of the relevant requirements of the GEM Listing Rules and duties of directors of companies listed in Hong Kong;
- We have adopted various policies to ensure compliance with the GEM Listing Rules, including but not limited to aspects related to risk management, continuing connected transactions and information disclosures;
- We have implemented internal control policies related to financial management, including managing financial risks we face in relation to credit risk, market risk and liquidity risk, and formulating and implementing financing plans based on the demands of our business operations and developments; and
- We have implemented a series of internal rules and policies relating to our business operations.

We have engaged an internal control consultant to perform certain agreed-upon procedures in connection with our internal control policies related to entity-level controls, compliance monitoring controls, finance and accounting procedures, recovery of finance lease receivables, cash management procedures, intellectual property protection, human resources management procedures, fixed-asset management procedures and other general control measures. Our internal control consultant performed the work and put forward recommendations in October 2017 based on the review of our internal control policies. Accordingly, we have implemented rectification and improvement measures, as the case may be, in response to these findings and recommendations and our internal control consultant has also completed the follow-up reviews on our internal control system with regard to those actions taken by us. We did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date.

### ***Legal and Compliance Risk Management***

Our business is subject to regulations and supervisions by the national, provincial and local governmental authorities with regard to our operations and capital structure, which are subject to constant changes. For details, see “Regulatory Overview” in this Prospectus. If we do not respond to these changes in a timely manner or are found not to be in compliance with applicable laws and regulations, we may incur significant penalties and losses. We have maintained close communications with the corresponding authorities at the local and provincial levels, which are responsible for operational compliance review and implementation of regulatory policies.

Our risk management department, together with our other departments involved, advises on the legal and regulatory requirements applicable to us as well as the applicable restrictions, and initiates the legal proceedings against the defaulting customers. We also engaged external legal advisers since 2010 to advise on the legal compliance aspects of our business.

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When planning a new finance leasing service or product, we will review the relevant development plan thoroughly, research on the legal and regulatory requirements applicable to such new service or product, and obtain advice from external legal advisers on the legal compliance aspects of offering such new services or products. Relevant regulatory requirements and advises from external legal advisers will be included in the new service or product proposal for the consideration and approval of the Board and senior management. Once a new service or product has been approved, we will introduce such service or product as planned.

### LICENSES AND PERMITS, COMPETENT AUTHORITIES, LEGAL PROCEEDINGS AND COMPLIANCE

#### *Licenses and Permits*

As of the Latest Practicable Date, we held a business license, which is important to our business. Such business license is currently effective and is expected to expire on 8 March 2040. In addition, we obtained the Concurrent-business Insurance Agency Qualification and the Recordation Certificate for Class II Medical Devices Business in 2011 and 2015, respectively, for business we have yet conducted as of the Latest Practicable Date.

As advised by our PRC legal advisers, we have obtained all required licenses, approvals and permits for each province and/or region where we have business operations. As there are no effective PRC laws and regulations that have special restrictions on the geographic operating scope of finance leasing companies, as long as a finance leasing company is legally established according to the related laws and regulations, such as the PRC Company Law, the Measures for Finance Leasing Companies (融資租賃企業監督管理辦法) and the Measures for Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法), it can conduct business nationwide.

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date: (i) we had obtained all required licenses, approvals and permits from the relevant competent governmental authorities that are required for our business operations, and such licenses, approvals and permits remained in full effect; (ii) as confirmed by the competent authorities, no circumstances existed that would render the revocation or cancelation of any required 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 penalized by the relevant competent governmental authorities for any material non-compliance in connection with our business operation. Based on the legal opinions from our PRC Legal Advisers, and 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.

#### *Competent Authorities*

On 14 May 2018, the General Office of MOFCOM issued the Notice on Matters about the Rearrangement of Supervisory Responsibilities over Finance Leasing Companies, Factoring Companies and Pawnshops (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知) (the “**New Notice**”), according to which the authority of rule-making on operation and regulation of finance leasing companies, factoring companies and pawnshops shall be delegated to CBIRC. Although the competent authority has changed, the relevant governing laws and regulations of the finance leasing



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industry are still in force in the PRC as confirmed by our PRC legal advisers. During the Track Record Period, the Company had complied with the applicable PRC laws, rules and regulations in all material respects. As of the Latest Practicable Date, we have not noticed any material changes to our finance leasing and factoring businesses as a result of the implementation of the New Notice.

### *Legal Proceedings*

We are involved, from time to time, in legal proceedings arising in the ordinary course of our operations. A majority of these legal proceedings involve claims initiated by us to recover payments of finance lease receivables from our customers. As of the Latest Practicable Date, we had a total of 52 outstanding legal proceedings initiated by us against our lessees and their guarantees in the PRC. The total amount of finance lease receivables in dispute in relation to these 52 proceedings amounted to RMB45.67 million, of which RMB27.2 million was collected subsequently. As of the Latest Practicable Date, we were also subject to: (i) one outstanding civil litigation proceeding as a third party; and (ii) one outstanding civil litigation proceeding as one of the defendants arising from the possession of a leased property in a finance leasing agreement. In terms of the former proceeding, we, as a third party, participated in it for the purpose of assisting the court in investigating the facts and resolving the disputes. There was no adverse claim against us and it does not have any material and adverse effect on us. As to the latter proceeding, the lessee failed to make lease payments, so we reclaimed the leased property pursuant to the finance leasing agreement. Subsequently, the plaintiffs, both Independent Third Parties, brought up the case to claim the right to the leased property. As of the Latest Practicable Date, the case has not been heard. Our Directors confirmed that this case will not have any material and adverse effect on us because: (i) the value of the leased property is considerably immaterial; and (ii) we have been taking active measures and raised motion to object the jurisdiction and will actively involve in the procedures to protect our interests.

As these proceedings arose in the ordinary course of our operations and relatively small amounts of finance lease receivables are involved, we believe that these proceedings would not have any material adverse effect on our business, financial condition or results of operations.

For the legal proceedings under the finance leasing agreements guaranteed by the equipment suppliers, although most of these proceedings are initiated by us, they are generally for the benefit of equipment suppliers.

### *Compliance*

According to the Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Examination, Approval and Administration of Foreign-funded 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 registered capital of a foreign-funded finance leasing company shall not be less than US\$10 million. During the Track Record Period and up to the Latest Practicable Date, the registered capital of Xiamen Byleasing has never been less than US\$10 million and in compliance with relevant regulations. In addition, the Measures for Finance Leasing Enterprises (融資租賃企業監督管理辦法) stipulates that risk assets of a finance leasing company shall not exceed ten times of its total net assets. As confirmed by our Directors and the relevant government authority, Xiamen Byleasing has been in compliance with such requirement during the Track Record Period and up to the Latest Practicable Date.

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The table below sets forth some major effective restrictions or limitations imposed on foreign-funded finance leasing companies and our compliance status as of the Latest Practicable Date:

| <u>Restrictions/Limitations</u>  | <u>Status</u> |
|--|---------------|
| A foreign-funded finance leasing company shall not provide in any form direct or indirect financing for local governments' financing platform companies that undertake public welfare duties.  | In compliance |
| The total assets of the foreign investor(s) of a foreign-funded finance leasing company shall not be less than US\$5 million and the foreign investor(s) shall not be in insolvency and ordinarily shall have been existed more than one year.   | In compliance |
| A foreign-funded finance leasing company shall have professional staff. And its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.   | In compliance |
| The registered capital of a foreign-funded finance leasing company shall not be less than US\$10 million and the proportion of the foreign investment shall not be lower than 25%.   | In compliance |
| The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.   | In compliance |
| A foreign-funded finance leasing company shall contain the words "finance leasing" (融資租賃) in its corporate name and shall not contain the words "financial lease" (金融租賃) in its corporate name or its business scope.  | In compliance |
| A finance leasing company can conduct guarantee business only in relation with its leasing transactions, but shall not contain the word "guarantee" in its corporate name and shall not take guarantee business as its main business.  | In compliance |
| A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances. | In compliance |
| A finance leasing company shall not accept any property to which a lessee has no disposal rights or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction.   | In compliance |
| Risk assets of a finance leasing company shall not exceed ten times of its total net assets.   | In compliance |

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We are advised by our PRC Legal Advisers that the relevant competent governmental authorities have confirmed that we had complied with the applicable PRC laws, rules and regulations in all material and substantial respects during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that there were no non-compliance incidents which were likely to have a material adverse impact on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

The Measures for Finance Leasing Enterprises stipulates that finance leasing enterprises shall not engage in financial businesses (金融業務), such as deposit taking (吸收存款), lending (發放貸款) and entrusted lending (受託發放貸款). However, “Entrusted loan” deployed by Xiamen Byleasing exists when an enterprise entrusts a bank to extend loans to a third party by using the enterprise’s specified capital, and does not fall under “financial business.” It is different from the nature of entrusted lending conducted by commercial banks. As a general practice and according to the Measures for the Administration of Entrusted Loans of Commercial Banks (商業銀行委託貸款管理辦法) and General Rules for Loans (貸款通則), a company is allowed to entrust a commercial bank to provide loans to a third party. As confirmed by the relevant competent governmental authorities, the finance leasing business and commercial factoring business through entrusted loans provided by Xiamen Byleasing are common in the industry and only for the purpose of ensuring Xiamen Byleasing’s right to properties as collateral due to restriction of collateral registration procedure. Our PRC legal advisers have confirmed that such arrangements are in essence no different from finance leasing business and commercial factoring business and are in compliance with the PRC laws, rules and regulations during the Track Record Period and up to the Latest Practicable Date.

Also, as confirmed by our Directors after due and careful enquiry, there had been no material non-compliance incidents concerning the Previous Tibet Subsidiary which were likely to have a material adverse impact on the Group’s business or financial condition or the results of its operations during the Track Record Period and up to the date of disposal of the Previous Tibet Subsidiary.

### **NOTIFIABLE TRANSACTIONS UNDER THE GEM LISTING RULES**

The definition of “transaction” under Rule 19.04(1)(c) of the GEM Listing Rules includes “entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer.” Since the exemption for “transaction of a revenue nature in the ordinary and usual course of business” under Rule 19.04(1)(g) of the GEM Listing Rules does not apply to transactions expressly provided in Rule 19.04(1)(c) of the GEM Listing Rules, the entering into or termination of finance leasing transactions by the Group after Listing will constitute “transactions” under Chapter 19 (Notifiable Transactions) of the GEM Listing Rules. The Group will ensure compliance with the applicable requirements under Chapter 19 of the GEM Listing Rules, including but not limited to the announcement, circular and shareholders’ approval requirements applicable to each of such transactions, and will seek advice from external legal advisors where necessary for ensuring full compliance with the GEM Listing Rules.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming will become a group of Controlling Shareholders of the Company upon the Listing. As of the Latest Practicable Date, Septwolves Holdings directly owned approximately 58.75% of the issued share capital of the Company. As Septwolves Holdings is an investment holding company owned as to approximately 37.06% by Mr. Zhou Yongwei, 31.47% by Mr. Zhou Shaoxiong and 31.47% by Mr. Zhou Shaoming, each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming is deemed to control the exercise of approximately 58.75% of the voting power at the general meeting of the Company.

Immediately following the completion of the Capitalization Issue and the Share Offer, assuming the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised, Septwolves Holdings will be directly interested in approximately 44.06% of the enlarged issued share capital of the Company. Each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming will be deemed to be interested in approximately 44.06% of the enlarged issued share capital of the Company through Septwolves Holdings.

As each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming serves as a director in two or more listed companies (listed either in Hong Kong or the PRC), none of them could devote enough time to the management of another listed company. On the other hand, Mr. Zhou Shiyuan, the son of Mr. Zhou Yongwei, has been a director of Xiamen Byleasing, the principal operating subsidiary of the Group, since July 2016 and is currently the chairman and legal representative of Xiamen Byleasing, and has accumulated experience in managing Xiamen Byleasing. For the above reasons, the following arrangements are adopted: (i) Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming assumed the role as Controlling Shareholders of the Company, (ii) Mr. Zhou Shiyuan serves as an executive Director and the chairman of the Board of the Company, responsible for providing strategic advice to the business and operation of the Group, and (iii) the three executive Directors (Mr. Zhou Shiyuan, Mr. Chen Xinwei, Mr. Huang Dake), one non-executive Director (Mr. Ke Jinding) and one of the Controlling Shareholders (Mr. Zhou Yongwei) serve as directors of Xiamen Byleasing.

Each of our Directors and our Controlling Shareholders has confirmed that, save for engaging in the Restricted Business (as defined below) through our Group, none of them or their respective close associates has any interest in a business which competes with, or is likely to compete with, our Group, whether directly or indirectly, which would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules. Each of our Controlling Shareholders has further confirmed that, none of the companies referred to in Note 28 to the Accountants' Report in Appendix I to this Prospectus which were controlled by our Controlling Shareholders as of the Latest Practicable Date were engaged in any business which competes or is likely to compete with the business of our Group. Hence, our Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders and our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### FINANCE BUSINESS ENGAGED BY OUR CONTROLLING SHAREHOLDERS

#### *Other Businesses*

As of the Latest Practicable Date, apart from the Company, our Controlling Shareholders and their respective close associates had interests in other businesses, including: (i) manufacturing and sales of menswear products through its 34.29% interest in Fujian Septwolves Industry, a listed company on the Shenzhen Stock Exchange (stock code: 002029); (ii) manufacturing and sales of textile machinery; (iii) investment and asset management; (iv) real estate development and operation and property management; (v) development and sales of enterprise software; (vi) provision of financing guarantee service through Fujian Baiying Financing Guarantee Co., Ltd.\* (福建百應融資擔保股份有限公司) (“**Baiying Financing Guarantee**”); (vii) provision of microcredit service in Quanzhou through Quanzhou Huixin micro-credit Co., Ltd. (“**Quanzhou Huixin**”), a listed company on the Main Board of the Stock Exchange (stock code: 1577); (viii) provision of microcredit service in Jinjiang through Jinjiang Huixin Microfinance Co., Ltd.\* (晉江市匯鑫小額貸款有限公司) (“**Jinjiang Huixin**”, formerly known as Jinjiang Baiying Microfinance Co., Ltd.\* (晉江市百應小額貸款有限責任公司)); (ix) provision of microcredit service in Xiamen City through Xiamen Siming Baiying Microcredit Co., Ltd.\* (廈門思明百應小額貸款有限公司) (“**Baiying Micro-credit**”); (x) provision of pawn loan service through Xiamen Borong Pawn Co., Ltd.\* (廈門博融典當有限責任公司) (“**Xiamen Borong**”) and Fujian Yuanheng Pawn Co., Ltd.\* (福建元亨典當有限公司) (“**Fujian Yuanheng**”); and (xi) provision of settlement services, entrusted loans services and loans to and taking deposits from any of the Holdco Group Member Companies through Fujian Septwolves Group Finance (items (vi) to (xi) are referred to as “**Finance Businesses**”).

#### *General Information about Baiying Financing Guarantee*

As of the Latest Practicable Date, Quanzhou Baiying Financing Holding Co., Ltd.\* (泉州市百應金融控股有限公司) (ultimately wholly owned by our three individual Controlling Shareholders) held 78.0% interest in Baiying Financing Guarantee, whose principal business includes the provision of financing guarantee service. The remaining shareholdings in Baiying Financing Guarantee are owned as to 22.0% by an independent third party. Mr. Chen Xinwei is the chairman of the board of Baiying Financing Guarantee.

A financing guarantee is a contract that helps to ensure that a creditor or lender is reimbursed for any losses that result from the failure of a debtor to make payments on the outstanding debt in accordance with the provisions of the agreement that governs the business relationship. One of the benefits of the financing guarantee is that it can help the debtor to secure a more attractive interest rate on the loan or other debt instrument. This is because the guarantee helps to lower the degree of risk that the lender is taking on in order to approve the loan.

Baiying Financing Guarantee primarily provides guarantee services to customers to assist them to obtain loans. It primarily guarantees bank loans of the size ranging from RMB1.0 million to RMB10 million, most of which have a term of three months to one year. Baiying Financing Guarantee charges guarantee services fees, which normally equal to a monthly rate of 0.2% to 0.3% of the amount of each loan.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### *General Information about Quanzhou Huixin*

As of the Latest Practicable Date, Fujian Septwolves Group, which was ultimately wholly owned by our three individual Controlling Shareholders, held 29.99% interest in Quanzhou Huixin. The remaining shareholdings in Quanzhou Huixin are owned as to 26.47% by public shareholders of its H shares and 43.54% in aggregate by eight independent third parties.

Quanzhou Huixin commenced its operation in January 2010, and primarily offers short-term credit-based loans, which generally have maturity profiles of up to six months and range in size from RMB1.0 million to RMB10.0 million. As of the Latest Practicable Date, Quanzhou Huixin was licensed to offer its loan services in Quanzhou City.

### *General Information about Jinjiang Huixin*

As of the Latest Practicable Date, Quanzhou Huixin, which was owned as to 29.99% by Fujian Septwolves Group (ultimately wholly owned by our three individual Controlling Shareholders), held 47.9% interest in Jinjiang Huixin. The remaining 52.1% shareholdings in Jinjiang Huixin were owned by six independent third parties. Mr. Chen Xinwei is a director of Jinjiang Huixin.

Jinjiang Huixin commenced its operation in March 2014, and primarily offers short- and medium-term credit-based loans, which generally have maturity profiles up to 12 months and range in size from RMB1.0 million to RMB10.0 million. As of the Latest Practicable Date, Jinjiang Huixin was licensed to offer its loan services in Jinjiang City.

### *General Information about Baiying Micro-credit*

As of the Latest Practicable Date, Septwolves Group Holding, which was ultimately wholly owned by our three individual Controlling Shareholders, held 49.99% interest in Baiying Micro-credit, whose principal business includes the provision of medium-term and small-scale loan services in Xiamen City. 5.0% interest in Baiying Micro-credit was owned by Ms. Wang Jialin (王佳琳), the daughter in law of Mr. Zhou Yongwei and Ms. Chen Pengling. The remaining shareholdings of Baiying Micro-credit were owned by five independent third parties. Mr. Chen Xinwei served as the chairman of the board of Baiying Micro-credit.

Baiying Micro-credit commenced its operation in May 2014. It primarily provides loans of the size ranging from RMB100,000 to RMB5,000,000, most of which have a term of between one year and two years. Baiying Micro-credit charges a monthly fee at a rate of between 1.0% and 1.5% of the amount of each loan.

### *General Information about Xiamen Borong and Fujian Yuanheng*

As of the Latest Practicable Date, Fujian Septwolves Group held 30.0% interest in Xiamen Borong, whose principal business includes the provision of pawn loan service. Xiamen Guarantee Co., Ltd.\* (廈門市擔保有限公司), an independent third party, held 40.0% interest in Xiamen Borong, and is the single largest shareholder of Xiamen Borong. Fujian Septwolves Group was the second largest shareholder of Xiamen Borong. The remaining shareholdings in Xiamen Borong were owned by independent third parties. Mr. Zhou Shiyuan, our executive Director and chairman of the Board, and Mr. Chen Xinwei, our executive Director, are directors of Xiamen Borong.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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As of the Latest Practicable Date, Jinjiang Baixin Machinery Manufacturing Co., Ltd.\* (晉江百信機械製造有限公司), a company owned by Fujian Septwolves Group as to 60.0%, held 12.0% interest in Fujian Yuanheng, whose principal business includes the provision of pawn loan service. The remaining shareholdings of Fujian Yuanheng were owned by independent third parties. Mr. Chen Xinwei is the chairman of the board of Fujian Yuanheng.

Pawn loans are loans provided whereby real properties or personal properties such as vehicles, gold, jewelry and diamonds, watches and consumer electronic products are used as collateral for the security of the loans.

During the term of the pawn loan, customers may redeem their collateral at any time and may also renew their term of the pawn loan after paying the outstanding interest for the previous term. Within five days after the expiry of the term or the renewed term of the pawn loans, the collateral shall be redeemed. Thereafter, Xiamen Borong and Fujian Yuanheng may sell the collateral not having been redeemed.

### *General Information about Fujian Septwolves Group Finance*

As of the Latest Practicable Date, Fujian Septwolves Group and Fujian Septwolves Industry (owned as to approximately 34.29% by Fujian Septwolves Group) held 65.0% and 35.0% interest in Fujian Septwolves Group Finance, respectively. Mr. Chen Xinwei is a director of Fujian Septwolves Group Finance, and Mr. Zhou Shiyuan is the supervisor of Fujian Septwolves Group Finance.

Fujian Septwolves Group Finance commenced operations in April 2015. It is primarily engaged in provision of settlement services, entrusted loans services and loans to and taking deposits from Holdco Group Member Companies. Fujian Septwolves Group Finance is licensed to provide services and loans only to the Holdco Group Member Companies. Fujian Septwolves Group Finance generally charges 0.8 time to 1.3 times of the benchmark lending rate set by the PBOC per annum.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### *Delineation of Business*

We are primarily dedicated to providing equipment-based financing solutions, namely finance leasing, to our customers, which is different from the finance business engaged by our Controlling Shareholders. Our business mainly depends on our customers in a few industries, such as the infrastructure industry and manufacturing industry. During the Track Record Period, we primarily offer finance leasing services, from which we charge services fees, including rental and handling fee, which normally equals to a rate between 0.8% to 1.3% per month of the transaction amount. The term of our finance leases generally ranges from 12 to 36 months.

Among our Group and the companies engaging in finance business mentioned above in which our Controlling Shareholders and their respective close associates have interest, only our Group conducts equipment-based financing business. The following table sets out a summary of the major differences between the current business of our Group and the Finance Business which illustrates a clear delineation of business.

|                              | <b>Our Group</b>                           | <b>Baiying Financing Guarantee</b>                                    | <b>Quanzhou Huixin</b>                    | <b>Jinjiang Huixin</b>                       | <b>Baiying Micro-credit</b>              | <b>Xiamen Borong</b>                       | <b>Fujian Yuanheng</b>                     | <b>Fujian Septwolves Group Finance</b>  |
|------------------------------|--|---|---|--|--|--|--|---|
| Nature of business . . . . . | Finance leasing                            | Financing guarantee   | Short-term and small-scale loans          | Short- and medium-term and small-scale loans | Medium-term and small-scale loans        | Pawn loans                                 | Pawn loans                                 | Settlement services, entrusted loans services and loans to and taking deposits from the Holdco Group Member Companies |
| Fee rate . . . . .           | Primarily between 0.8% and 1.3% per month  | Primarily between 0.2% and 0.3% per month                             | Primarily between 1.5% and 2% per month   | Primarily between 1% and 2% per month        | Primarily between 1% and 1.5% per month  | Primarily between 2.5% and 4.5% per month  | Primarily between 2.4% and 4.2% per month  | Generally between 0.8 time to 1.3 times of the benchmark lending rate set by the PBOC per annum                       |
| Term . . . . .               | Primarily between one year and three years | Primarily between three months and one year                           | Primarily between one month to six months | Primarily between 3 months and 12 months     | Primarily between one year and two years | Primarily between five days and six months | Primarily between five days and six months | Generally between 3 months and 36 months  |
| Documentation . . . . .      | Finance leasing agreement                  | Guarantee agreement, counter-guarantee agreement and pledge agreement | Loan agreement                            | Loan agreement                               | Loan agreement                           | Pawn loan agreement                        | Pawn loan agreement                        | Loan agreement and corporate guarantee agreement  |



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

|                                 | Our Group  | Baiying Financing Guarantee   | Quanzhou Huixin   | Jinjiang Huixin  | Baiying Micro-credit   | Xiamen Borong  | Fujian Yuanheng  | Fujian Septwolves Group Finance      |
|---------------------------------|--|---|---|--|--|--|--|--------------------------------------|
| Security . . . . .              | Generally, collateral, personal or corporate guarantee (none for credit leases)      | Counter-guarantee   | Generally, personal guarantee or corporate guarantee  | Generally, personal guarantee or corporate guarantee                           | Generally, collateral, personal or corporate guarantee                       | Collateral   | Collateral   | Credit loans and corporate guarantee |
| Geographic limitation . . . . . | No restriction   | No restriction  | Licheng District, Luojiang District, Jinjiang City and Nan'an City, which are subordinated administrative districts of Quanzhou City  | Jinjiang City  | Xiamen City  | a. in case of real properties as collateral, only in Fujian Province;<br>b. in case of personal properties as collateral, no geographic limitation | a. in case of real properties as collateral, only in Fujian Province;<br>b. in case of personal properties as collateral, no geographic limitation | No restriction                       |
| Target customers . . . . .      | Micro-enterprises and SMEs in the infrastructure industry and manufacturing industry | Focusing on SMEs, micro-enterprises in Jinjiang, gradually expanding to Quanzhou City and other areas | Local entrepreneurial individuals, SMEs and micro-enterprises in Licheng District, Luojiang District, Jinjiang City and Nan'an City, which are subordinated administrative districts of Quanzhou City | Local SMEs, micro-enterprises and entrepreneurial individuals in Jinjiang City | Local SMEs, micro-enterprises and entrepreneurial individuals in Xiamen City | Individuals and enterprises  | Individuals and enterprises  | Holdco Group Member Companies        |

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

|                                       | <b>Our Group</b>  | <b>Baiying Financing Guarantee</b>   | <b>Quanzhou Huixin</b>  | <b>Jinjiang Huixin</b>  | <b>Baiying Micro-credit</b>   | <b>Xiamen Borong</b>   | <b>Fujian Yuanheng</b>   | <b>Fujian Septwolves Group Finance</b>  |
|---------------------------------------|---|--|---|---|---|--|--|---|
| Operation procedure . . .             | a. acceptance of finance leasing application;<br>b. subject valuation and assessments;<br>c. conducting on-site due diligence and verification of relevant information;<br>d. assessments and approvals;<br>e. after-lease management; and<br>f. collection of rental | a. acceptance of financing guarantee application;<br>b. conducting preliminary due diligence;<br>c. acceptance of formal applications;<br>d. conducting follow-up due diligence; and<br>e. assessments and approvals | a. acceptance of loan applications;<br>b. conducting review and due diligence;<br>c. assessments and approvals;<br>d. granting of loans;<br>e. post-loan grant reviews; and<br>f. loan extension and collection | a. acceptance of loan applications;<br>b. conducting review and due diligence;<br>c. assessments and approvals;<br>d. granting of loans;<br>e. post-loan grant reviews; and<br>f. loan extension and collection | a. acceptance of loan applications;<br>b. conducting due diligence, collateral valuation;<br>c. assessments and approvals;<br>d. granting of loans;<br>e. post-loan grant reviews; and<br>f. collection | a. acceptance of pawn loan applications;<br>b. collateral valuation, assessments and approvals;<br>c. granting of loans and receipt of collateral; and<br>d. redemption or renewal of term | a. acceptance of pawn loan applications;<br>b. collateral valuation, assessments and approvals;<br>c. granting of loans and receipt of collateral; and<br>d. redemption or renewal of term | a. submission of documents for initial assessment;<br>b. acceptance of application;<br>c. conducting review and assessment and obtaining guarantee where necessary;<br>d. verification of relevant information;<br>e. final decision of the approved loan amount; and<br>f. granting of loans |
| Major potential competitors . . . . . | Other finance leasing companies in Xiamen City  | Other financing guarantee companies in Jinjiang City and Quanzhou City   | Other microcredit lenders licensed to operate in Licheng District, Luojiang District, Jinjiang City and Nan'an City of Quanzhou City  | Other microcredit lenders licensed to operate in Jinjiang City  | Other microcredit lenders licensed to operate in Xiamen City  | Other pawn loan companies in Xiamen City   | Other pawn loan companies in Quanzhou City   | Banks or other loan companies in areas where the Holdco Group Member Companies operate  |
| Independence of management . . . . .  | N/A   | Yes  | Yes   | Yes   | Yes   | Yes  | Yes  | Yes   |

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Since only our Group conducts equipment-based financing business and we mainly provide finance leasing services for enterprises in the manufacturing industry and infrastructure industry which involve acquisitions of assets and leasing back, our Directors consider that our business nature is different from that of Quanzhou Huixin, Jinjiang Huixin, Baiying Micro-credit, Xiamen Borong, Fujian Yuanheng and Fujian Septwolves Group Finance, which provide loans without acquiring and retaining ownership of the collateral involved.

Since Baiying Financing Guarantee is to provide guarantee services for loans to borrowers rather than providing loans directly to borrowers, our Directors consider that there is no competition between its business and that of our Group.

As illustrated above, the businesses of Baiying Financing Guarantee, Quanzhou Huixin, Jinjiang Huixin, Baiying Micro-credit, Xiamen Borong, Fujian Yuanheng and Fujian Septwolves Group Finance are separate and distinct from the business of our Group in all material aspects. As such, our Directors believe that there is a clear delineation between the Finance Businesses and the business of our Group, and are thus of the view that the Finance Businesses, in which our Controlling Shareholders and their respective close associates are interested, are not in competition with our business.

### DIRECTORS' INTERESTS IN OTHER BUSINESS

None of our Directors or their respective close associates is engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

### NON-COMPETITION UNDERTAKING

Each of Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming (each a “**Covenantor**” and collectively as the “**Covenantors**”) has given an irrevocable non-competition undertaking in favor of the Company (for itself and for benefit of each of the members of our Group) under the Deed of Non-Competition pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors are individually or collectively with any of their respective close associates interested directly or indirectly in not less than 30.0% of the issued share capital of the Company (the “**Restricted Period**”), each Covenantor shall not, and shall procure that their respective close associates will not:

- (i) save for engaging in the Restricted Business (as defined below) through our Group, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, carry on, develop, invest in, engage in, participate or be interested in or acquire or hold any right or interest in or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant, agent or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group in the PRC and any part of the world (the “**Restricted Business**”); and/or
- (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (a) soliciting our Group’s customers, suppliers or personnel of any member of our Group; (b) inducing or soliciting any person to

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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induce any competition or suspension of the business of our Group; and (c) engaging in any business or activity on its own account or jointly with any person, that uses any trade name or trademark (registered or non-registered) of our Group, or any name of our Group that is used in association with our Group's business or activity at intervals, or any fraudulent imitations (except for circumstances in which our Group is involved);

Each of the Covenantors also undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity within and/or outside the PRC relating to the Restricted Business (the "**Business Opportunity(ies)**") identified by or offered to the Covenantors and/or any of their close associates (the "**Offeror**") is first referred to the Company in the following manner:

- (i) the Covenantors are required to, and shall procure their close associates to, refer, or procure the referral of, the Business Opportunity to the Company, and shall give written notice to the Company of any Business Opportunity containing all information reasonably necessary for the Company to consider whether (i) the Business Opportunity would constitute competition with its core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition (the "**Offer Notice**"); and
- (ii) the Offeror will be entitled to pursue the Business Opportunity only if (i) the Offeror has received a written notice from the Company declining the Business Opportunity and confirming that the Business Opportunity would not constitute competition with its core business, or (ii) the Offeror has not received the notice from the Company within 20 days from the receipt of the Offer Notice, provided that the principal terms by which the Offeror subsequently pursues the Business Opportunity are not more favorable than those made available to the Company; if there is a material change in the terms and conditions of the Business Opportunity pursued by the Offeror, the Offeror shall refer to the Business Opportunity as so revised to the Company again in the manner as set out above as if it were a new Business Opportunity.

Upon receipt of the Offer Notice, the Company shall seek opinions and decisions from its Board (other than Directors who have a material interest in the matter) as to whether (i) such Business Opportunity would constitute competition with the Company's core business, and (ii) it is in the interest of the Company and its Shareholders as a whole to pursue the Business Opportunity. Any Director who has a material interest in the Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding or being interested in a direct or indirect shareholding interest of not more than 5.0% of the issued shares of that class in aggregate in a company listed on a recognized stock exchange and engaged in any Restricted Business provided that the relevant Covenantors and/or their respective close associates do not control the majority of the composition of the board of directors of that company.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice to safeguard the interests of our Shareholders:

- (i) our Directors will comply with our Articles of Association which require the interested Director(s) not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;
- (ii) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the undertakings given by our Controlling Shareholders under the Deed of Non-competition. Our Controlling Shareholders have undertaken that they will and will procure their subsidiaries and close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. The Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-Competition in our annual report;
- (iii) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new Business Opportunities offered during the year. The Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (iv) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including independent financial advisor) at our costs to advise them on matters relating to the Deed of Non-competition or on any Business Opportunities, which may be referred to us by our Controlling Shareholders;
- (v) the Company has appointed Changjiang Corporate Finance as the compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the GEM Listing Rules and applicable laws; and
- (vi) any transaction (if any) between (or proposed to be made between) the Company and connected persons will be required to comply with Chapter 20 of the GEM Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waivers from strict compliance with the relevant requirements under the GEM Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interest between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates for the following reasons:

#### *Management Independence*

Our management and operational decisions are made by our Board and our senior management. Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. None of our Directors is our Controlling Shareholder. All of our Directors and senior management team members possess relevant management and/or industry-related experience to act as Directors or senior management of the Company and to make management decisions independent from our Controlling Shareholders. For details, see “Directors and Senior Management” in this Prospectus.

The following table sets out summary of the positions and roles held by our Directors and members of our senior management with the Company and the Finance Businesses as of the Latest Practicable Date:

| <u>No.</u> | <u>Name</u>       | <u>Position with the Company</u>                   | <u>Position with the Finance Businesses</u>   |
|------------|-------------------|--|---|
| 1          | Mr. Zhou Shiyuan  | Chairman and executive Director                    | Director of Xiamen Borong; and supervisor of Fujian Septwolves Group Finance  |
| 2          | Mr. Chen Xinwei   | Executive Director                                 | Chairman of the board of directors of Baiying Financing Guarantee, Baiying Micro-credit and Fujian Yuanheng; and director of Jinjiang Huixin, Xiamen Borong and Fujian Septwolves Group Finance |
| 3          | Mr. Huang Dake    | Executive Director and general manager             | None  |
| 4          | Mr. Ke Jinding    | Non-executive Director                             | None  |
| 5          | Mr. Chen Chaolin  | Independent non-executive Director                 | None  |
| 6          | Mr. Xie Mianbi    | Independent non-executive Director                 | None  |
| 7          | Mr. Tu Liandong   | Independent non-executive Director                 | None  |
| 8          | Mr. Deng Huaxin   | Joint company secretary and deputy general manager | None  |
| 9          | Mr. Zhang Zhaowei | Deputy general manager                             | None  |
| 10         | Ms. Xu Jianxia    | Financial manager                                  | None  |

Whilst there are two overlapping personnel between the Finance Businesses and our Group, only one executive Director holds executive directorship position in the Finance Businesses. Our Group and the Finance Businesses are virtually managed by different management teams. Therefore, there are sufficient Directors and members of senior management who have relevant experience to ensure the proper functioning of the Board and our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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In addition, each of our Directors 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 interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. 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 interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, is capable of managing our business independently from our Controlling Shareholders.

### *Operational Independence*

We have established our own business independent of that of our Controlling Shareholders and/or their respective associates. We make business decisions independently, hold all relevant licenses necessary to carry on our business and have sufficient capital and manpower to operate our business independently. We have established our own organizational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to financiers and customers. We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling Shareholders and/or their respective close associates during the Track Record Period. We have established a set of internal controls to facilitate the effective operation of our business. As of the Latest Practicable Date, there were no significant business transactions between us and any of our Controlling Shareholders and/or their respective close associates.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

### *Financial Independence*

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function.

During the Track Record Period, we primarily funded our operations and expansions through interest-bearing borrowings, our Shareholders' equity and cash flows from our operations. As of the Latest Practicable Date, there were no bank borrowings or guarantees provided by, or granted to, any of our Controlling Shareholders or their respective close associates. Under such circumstances, we believe we are able to obtain financing from third parties or working capital from our internally generated funds without reliance on our Controlling Shareholders. Based on the aforementioned, our Directors are of the view that we are financially independent of our Controlling Shareholders.

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## CONTINUING CONNECTED TRANSACTIONS

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### CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions are expected to continue between our Group and the relevant connected persons, which will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules.

#### *Non-exempt Continuing Connected Transaction*

##### **Framework Agreement**

###### *Background*

On 7 January 2011, Xiamen Byleasing, a wholly-owned subsidiary of the Company, entered into a business cooperation agreement (“**Previous Framework Agreement**”) with Jingong Machinery, an equipment manufacturer established in the PRC, pursuant to which Xiamen Byleasing agreed to provide direct finance leasing services to customers referred by Jingong Machinery by purchasing the designated equipment from Jingong Machinery (namely hydraulic excavator and loader) and leasing such equipment to those customers. Those customers are designated by Jingong Machinery and approved by Xiamen Byleasing (each, a “**Qualified Customer**”). The agreement had a term of 12 months from 7 January 2011 to 6 January 2012, which will automatically renew for another year if it is not terminated by any party by written notice within three months prior to its expiration, and it had been renewed from year to year prior to its termination pursuant to the new Framework Agreement (as defined below) with effect from 1 January 2018.

###### *Principal terms and pricing policy*

Under the Previous Framework Agreement, as in a typical direct finance leasing, Xiamen Byleasing, as the lessor, will enter into two agreements, namely (i) a finance leasing agreement with the relevant Qualified Customer, as the lessee, pursuant to which Xiamen Byleasing agrees to lease certain equipment manufactured by Jingong Machinery (namely hydraulic excavator and loader) to such Qualified Customer, and (ii) a purchase agreement with Jingong Machinery, as the equipment supplier, to purchase the designated equipment manufactured by Jingong Machinery. In each case, the total amount of the purchase price for the designated equipment is determined by the quantity and the ex-factory price of the designated equipment, which are the results of the negotiation between the Qualified Customer and Jingong Machinery based on normal commercial terms after arm’s length negotiation with reference to the market price of the equipment. As the engineering machinery market in the PRC is highly competitive, the pricing of engineering machinery is transparent and the market prices of engineering equipment in the PRC are readily available on websites such as [www.lmjx.net](http://www.lmjx.net) (中國路面機械網) and [www.cehome.com](http://www.cehome.com) (鐵甲網). Thus the ex-factory price of the designated equipment we purchased from Jingong Machinery under the relevant finance leasing transactions always reflects the market price of such equipment.

The designated equipment from Jingong Machinery will be dispatched to the relevant Qualified Customer directly for its use, and the relevant Qualified Customer will pay periodical rental payments comprising the purchase price of the equipment, interest and management fee to Xiamen Byleasing pursuant to the finance leasing agreement. Upon expiry of the lease term, the relevant Qualified Customer will be entitled to purchase the equipment underlying the lease at a nominal price. For details of our direct finance leasing business model, see “Business — Business Operations — Finance Leasing Services” in this Prospectus.



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## CONTINUING CONNECTED TRANSACTIONS

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Moreover, the Previous Framework Agreement provided that Jingong Machinery (as the equipment supplier) shall bear all the liabilities arising from the quality of its equipment, and it undertook to repurchase the leased equipment from Xiamen Byleasing if the relevant finance leasing agreement is terminated due to the default of the relevant Qualified Customer or other grounds as specified in the agreement. The amount payable by Jingong Machinery to Xiamen Byleasing for repurchasing the equipment is the sum of the remaining financing amount, interest and management fee.

### *Framework Agreement*

On 15 December 2017, Xiamen Byleasing entered into a new business cooperation agreement with Jingong Machinery (as supplemented by two supplemental agreements dated 23 February 2018 and 19 June 2018, respectively) (collectively, “**Framework Agreement**”) to replace and terminate the Previous Framework Agreement with effect from 1 January 2018. The Framework Agreement contains almost the same terms as the Previous Framework Agreement except that (i) the term of the Framework Agreement is three years commencing from 1 January 2018, (ii) the aforesaid designated equipment may be purchased from and supplied by Jingong Machinery, its affiliates or its distributors, (iii) it sets out the Annual Caps (as defined below) for the transactions contemplated under the Framework Agreement for each of the three years ending 31 December 2018, 2019 and 2020, (iv) if the transaction amount exceeds the Annual Cap for that year, the parties shall not enter into any further transactions under the Framework Agreement unless the Company has fully complied with the relevant requirements under the GEM Listing Rules, and (v) it is agreed that during the term of the Framework Agreement, approximately 5% of Jingong Machinery’s total annual sales shall be facilitated by Xiamen Byleasing’s finance leasing services.

### *Historical figures*

The total amounts paid by Xiamen Byleasing for purchasing equipment manufactured by Jingong Machinery pursuant to the direct finance leasing transactions under the Previous Framework Agreement for the years ended 31 December 2016 and 2017 were RMB14,400,521 and RMB12,463,000, respectively.

### *Annual caps*

The Framework Agreement provides that the maximum annual amounts payable by Xiamen Byleasing for purchasing designated equipment manufactured by Jingong Machinery pursuant to the direct finance leasing transactions contemplated thereunder for the years ending 31 December 2018, 2019 and 2020 shall not exceed RMB40,000,000, RMB45,000,000 and RMB50,000,000, respectively (“**Annual Caps**”). The above proposed Annual Caps are determined with reference to:

- (1) a growing trend in the engineering machinery market in China — According to a market report issued by a PRC securities firm, for the year ended 31 December 2017, sales of loaders in the PRC has increased by approximately 48% and sales of excavators in the PRC has increased by approximately 99% as compared to 2016. According to a recent market report issued by the same firm, for the first four months of 2018, sales of excavators in the PRC has increased by approximately 84% as compared to the same period in 2017, and according to the statistics published on [www.lmjx.net](http://www.lmjx.net) (中國路面機械網), sales of loaders by the 25 major loader manufacturers in the PRC has increased by approximately 38% as compared to the same period last year. As the annual transaction amount of the equipment

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## CONTINUING CONNECTED TRANSACTIONS

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purchased by Xiamen Byleasing under the Framework Agreement represents the annual amount of Jingong Machinery's sales to Qualified Customers with financing arrangements, a growing market demand for excavators and loaders will increase the sales of Jingong Machinery's excavators and loaders, and hence the quantity of the equipment we are to purchase for finance leasing purpose under the Framework Agreement.

- (2) the prospective transaction amounts with Jingong Machinery — Jingong Machinery recorded an annual sales of over RMB1 billion in 2017. In light of the 5.0% and 6.6% penetration rate in Fujian Province in 2016 and 2017, Jingong Machinery agreed in the Framework Agreement that approximately 5% of its sales in 2018, 2019 and 2020 will involve finance leasing arrangements with us. Under the growing market trend and this sales arrangement with Jingong Machinery, as at the Latest Practicable Date, the actual transaction amount and prospective transaction amount under discussion with Jingong Machinery in 2018 already reached RMB29.87 million. This amount comprises actual transaction amount of RMB1.87 million and prospective transaction amount of RMB28.0 million, of which RMB7.0 million and RMB21.0 million are the amounts of transactions expected to be entered into with Jingong Machinery in August 2018 and September 2018, respectively. The Annual Caps are therefore formulated with reference to the three-year projection of sales with financing arrangements of Jingong Machinery in view of the growing market trend and the sales arrangement with Jingong Machinery.

### *Reasons and benefits of the transactions*

During the Track Record Period, we worked with certain equipment suppliers, including Jingong Machinery, who had good reputations, proven track record and long working relationship with us, in direct finance leasing. In such cases, our customers were introduced by these equipment suppliers and the finance lease was guaranteed by these equipment suppliers. The lessee in need of financing is normally a potential or existing customer of the equipment supplier, and, by providing finance leasing service, we could access and serve the customers sourced from these equipment suppliers. In return, the equipment suppliers typically provide us with a guarantee for the performance of the customers under the leases.

### *Implications under the GEM Listing Rules*

As (i) Jingong Machinery is a company directly owned by Mr. Ke Jinding and Mr. Ke Shuiyuan (brother of Mr. Ke Jinding) both as to 50%, and Mr. Ke Jinding is a non-executive Director and hence a connected person of the Company, Jingong Machinery will become an associate of Mr. Ke Jinding and thus a connected person of the Company upon Listing, and (ii) one or more of the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Annual Caps is, on an annual basis, more than 5%, the transactions contemplated under the Framework Agreement will, upon Listing, be subject to the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### *Confirmation by Directors*

The Framework Agreement as well as its Annual Caps have been approved by the independent Shareholders on 20 June 2018. Zijiang Capital Limited, which has material interest in such transactions, abstained from voting on the relevant resolution.

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## CONTINUING CONNECTED TRANSACTIONS

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Our Directors, including our independent non-executive Directors, are of the view that the transactions between Xiamen Byleasing and Jingong Machinery under both the Previous Framework Agreement and the Framework Agreement have been and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed Annual Caps for purchasing equipment manufactured by Jingong Machinery pursuant to the direct finance leasing transactions contemplated under the Framework Agreement are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

### *Exempt Continuing Connected Transactions*

#### **Office lease agreement No. 1**

##### *Background*

On 1 November 2017, Xiamen Byleasing, a wholly-owned subsidiary of the Company, entered into an office lease agreement (“**Office Lease Agreement No. 1**”) with Septwolves Asset Management, pursuant to which Septwolves Asset Management agreed to lease to Xiamen Byleasing a premise owned by it.

##### *Principal terms*

The following table sets out the principal terms of the Office Lease Agreement No. 1:

|                                 |  |
|---------------------------------|--|
| <b>Parties:</b>                 | Xiamen Byleasing, as the tenant<br>Septwolves Asset Management, as the landlord    |
| <b>Term:</b>                    | From 1 November 2017 to 30 October 2018 (both days inclusive)                      |
| <b>Properties to be leased:</b> | 27/F <sup>(1)</sup> , Huijin International Center, No.77, Tainan Road, Xiamen City |
| <b>Gross floor area:</b>        | 1,015m <sup>2</sup>  |
| <b>Annual rental:</b>           | RMB913,500   |
| <b>Use of properties:</b>       | Office   |

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##### *Note:*

- (1) According to the Office Lease Agreement No. 1, the properties are located on the 27th floor of Huijin International Center. However, such properties are shown as the 30th floor on the control panel in the elevator.

Under the Office Lease Agreement No. 1, Xiamen Byleasing should give written notice to Septwolves Asset Management one month before the expiration to renew the agreement.

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## CONTINUING CONNECTED TRANSACTIONS

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### *Historical figures*

The total rentals paid by Xiamen Byleasing to Septwolves Asset Management under the Office Lease Agreement No. 1 and the previous lease agreement in respect of the same premise for the years ended 31 December 2016 and 2017 were RMB884,500 and RMB870,000, respectively.

### *Annual rentals*

For the years ending 31 December 2018, 2019 and 2020, the total annual rentals payable by Xiamen Byleasing to Septwolves Asset Management (assuming renewal on same terms upon expiry) is expected to be approximately RMB913,500, RMB913,500 and RMB913,500, respectively.

### *Reasons*

We have historically leased the abovementioned premise from Septwolves Asset Management as our office. As such, any relocation of our office by cessation of such lease would incur unnecessary costs.

The annual rental under the Office Lease Agreement No.1 was determined after arms' length negotiation between the parties with reference to the prevailing market rates in respect of the same or similar properties in the locality. Our Directors are of the view that the Office Lease Agreement No. 1 was entered into on normal commercial terms or better and that the terms thereof are fair, reasonable and in the interest of our Group and our Shareholders as a whole.

Our Directors, including our independent non-executive Directors, confirm that the Office Lease Agreement No. 1 has been entered into in the ordinary and usual course of our business and is based on normal commercial terms that are fair and reasonable and in the interest of our Group and our Shareholders as a whole, and that the proposed annual rentals for the Office Lease Agreement No. 1 are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

## **Office lease agreement No. 2**

### *Background*

On 1 November 2017, Xiamen Byleasing, a wholly-owned subsidiary of the Company, entered into an office lease agreement (“**Office Lease Agreement No. 2**”) with Mr. Zhou Yongwei, one of our Controlling Shareholders, pursuant to which Mr. Zhou Yongwei agreed to lease to Xiamen Byleasing a premise owned by him.

### *Principal terms*

The following table sets out the principal terms of the Office Lease Agreement No. 2:

|                 |  |
|-----------------|--|
| <b>Parties:</b> | Xiamen Byleasing, as the tenant<br>Mr. Zhou Yongwei, as the landlord |
| <b>Term:</b>    | From 1 November 2017 to 31 October 2018 (both days inclusive)        |

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## CONTINUING CONNECTED TRANSACTIONS

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|                                 |   |
|---------------------------------|---|
| <b>Properties to be leased:</b> | Room 7o-4, Exemption Market Building, No.88 Xiangyu Road, Fujian Free Trade Area Xiamen Sub-area, Xiamen City (廈門市福建自由貿易試驗區廈門片區象嶼路88號保稅市場大廈7o室之四) |
| <b>Gross floor area:</b>        | 185.79m <sup>2</sup>  |
| <b>Annual rental:</b>           | RMB100,320  |
| <b>Use of properties:</b>       | Office  |

Under the Office Lease Agreement No. 2, Xiamen Byleasing should give written notice to and negotiate with Mr. Zhou Yongwei at least one month before the expiration to renew the agreement.

### *Historical figures*

The total rentals under the Office Lease Agreement No. 2 and the previous lease agreement in respect of the same premise for the years ended 31 December 2016 and 2017 were RMB100,320 and RMB100,320, respectively, which were paid by Xiamen Byleasing to Mr. Zhou Yongwei.

### *Annual rentals*

For the years ending 31 December 2018, 2019 and 2020, the total annual rentals payable by Xiamen Byleasing to Mr. Zhou Yongwei (assuming renewal on same term upon expiry) is expected to be approximately RMB100,320, RMB100,320 and RMB100,320, respectively.

### *Reasons*

We have historically leased the abovementioned premise from Mr. Zhou Yongwei as our office. As such, any relocation of our office by cessation of such lease would incur unnecessary costs.

The annual rental under the Office Lease Agreement No. 2 was determined after arms' length negotiation between the parties with reference to the prevailing market rates in respect of the same or similar properties in the locality. Our Directors are of the view that the Office Lease Agreement No. 2 was entered into on normal commercial terms or better and that the terms thereof are fair, reasonable and in the interest of our Group and our Shareholders as a whole.

### **Implications under the GEM Listing Rules**

Immediately following the completion of the Share Offer, the Company will be held as to approximately 44.06% by Septwolves Holdings, which is held as to 37.06% by Mr. Zhou Yongwei. Mr. Zhou Yongwei is an associate of Septwolves Holdings, a Substantial Shareholder of the Company, and thus a connected person of the Company under Chapter 20 of the GEM Listing Rules. Also, as of the Latest Practicable Date, Septwolves Asset Management was owned as to 90.0% by Septwolves Group Holding and as to 10.0% by Fujian Septwolves Group, which was owned as to 37.82%, 31.09% and 31.09% by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming. Septwolves Asset Management is an associate of each of Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming and thus a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, both the Office Lease Agreement No. 1 and the Office Lease Agreement No. 2 and the

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## **CONTINUING CONNECTED TRANSACTIONS**

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transactions contemplated thereunder (collectively, the “**Office Lease Transactions**”) will constitute continuing connected transactions of the Company upon Listing. As both the Office Lease Agreement No. 1 and the Office Lease Agreement No. 2 involve leasing of properties from the Controlling Shareholder(s), the Office Lease Transactions shall be aggregated for the purpose of calculating the applicable percentage ratios under the GEM Listing Rules.

Since each of the applicable percentage ratios for the Office Lease Transactions calculated in accordance with Chapter 19 of the GEM Listing Rules is expected to be less than 5% and the annual consideration is expected to be less than HK\$3,000,000, the Office Lease Transactions will constitute fully exempt continuing connected transactions of the Company under Rule 20.74 of the GEM Listing Rules. Accordingly, both the Office Lease Agreement No.1 and the Office Lease Agreement No. 2 and the Office Lease Transactions contemplated thereunder will be exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules upon Listing.

Our Directors, including our independent non-executive Directors, confirm that the Office Lease Agreement No. 2 has been entered into in the ordinary and usual course of our business and is based on normal commercial terms that are fair and reasonable and in the interest of our Group and our Shareholders as a whole, and that the proposed annual rentals for the Office Lease Agreement No. 2 are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

### **APPLICATION FOR WAIVERS**

The non-exempt continuing connected transactions contemplated under the Framework Agreement are expected to continue on a recurring basis after the Listing. As the Framework Agreement was entered into prior to the Listing Date and its details have been fully disclosed in this Prospectus and potential investors will participate in the Share Offer on the basis of such disclosure, our Directors consider that it would be impractical and unduly burdensome and would add unnecessary administrative costs and workload for us to make disclosure of the transactions in strict compliance with the requirements under Chapter 20 of the GEM Listing Rules.

Accordingly, pursuant to Rule 20.103 of the GEM Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules relating to the abovementioned non-exempt continuing connected transactions.

### **CONFIRMATION FROM THE SOLE SPONSOR**

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions set out above, including the terms described in “— Continuing Connected Transactions — Non-exempt Continuing Connected Transaction” in this Prospectus, and has also conducted due diligence by discussing these transactions with the Company. The Sole Sponsor considers that the Framework Agreement has been entered into in the ordinary and usual course of our business and are based on normal commercial terms that are fair and reasonable. The Sole Sponsor is of the view that the Framework Agreement and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole, and that the proposed Annual Caps for the Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include but are not limited to convening general meetings, reporting the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for profit distributions, and formulating proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. Each of our Directors has entered into a service contract or appointment letter with the Company.

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information in respect of our Directors and senior management:

| Name                  | Age | Date of appointment as a Director or senior management | Year and month of joining our Group | Current position                       | Roles and responsibilities  | Relationship with other Directors or senior management |
|-----------------------|-----|--|-------------------------------------|--|---|--|
| Zhou Shiyuan<br>(周士淵) | 30  | 5 June 2017  | July 2016                           | Chairman and executive Director        | Responsible for our Group's strategic planning, overall operation and management of our Board                   | Not applicable   |
| Chen Xinwei<br>(陳欣慰)  | 44  | 5 June 2017  | March 2010                          | Executive Director                     | Responsible for advising on and supervising the implementation of strategic planning of our Group               | Not applicable   |
| Huang Dake<br>(黃大柯)   | 47  | 5 June 2017  | March 2010                          | Executive Director and general manager | Responsible for supervising the overall management, day-to-day operations and marketing management of our Group | Not applicable   |
| Ke Jinding<br>(柯金鏞)   | 42  | 5 June 2017  | April 2011                          | Non-executive Director                 | Responsible for advising on and supervising the implementation of strategic planning of our Group               | Not applicable   |
| Chen Chaolin<br>(陳朝琳) | 44  | 19 June 2018   | 19 June 2018                        | Independent non-executive Director     | Supervising the compliance and corporate governance, and providing independent advice to the Board              | Not applicable   |

## DIRECTORS AND SENIOR MANAGEMENT

| Name                   | Age | Date of appointment as a Director or senior management | Year and month of joining our Group | Current position                                   | Roles and responsibilities   | Relationship with other Directors or senior management |
|------------------------|-----|--|-------------------------------------|--|--|--|
| Tu Liandong<br>(涂連東)   | 49  | 19 June 2018   | 19 June 2018                        | Independent non-executive Director                 | Supervising the compliance and corporate governance, and providing independent advice to the Board | Not applicable   |
| Xie Mianbi<br>(謝綿陞)    | 49  | 19 June 2018   | 19 June 2018                        | Independent non-executive Director                 | Supervising the compliance and corporate governance, and providing independent advice to the Board | Not applicable   |
| Zhang Zhaowei<br>(張兆偉) | 44  | March 2011   | March 2011                          | Deputy general manager                             | Responsible for sales and marketing matters of our Group   | Not applicable   |
| Deng Huaxin<br>(鄧華新)   | 42  | August 2015  | August 2015                         | Joint company secretary and deputy general manager | Responsible for administrative matters of the Board and risk management matters of our Group       | Not applicable   |
| Xu Jianxia<br>(許建霞)    | 44  | May 2012   | May 2012                            | Financial manager                                  | Responsible for financial and accounting matters of our Group                                      | Not applicable   |

*Note:*

The business address of all of our Directors and senior management is our headquarters at Unit 1, 30/F, No. 77 Tai Nan Road, Siming District, Xiamen, Fujian Province, PRC.



## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### *Executive Directors*

**Mr. Zhou Shiyuan** (周士淵), aged 30, is an executive Director and the chairman of the Board. Mr. Zhou is the son of Mr. Zhou Yongwei, one of our Controlling Shareholders. Mr. Zhou is responsible for our Group's strategic planning, overall operation and management of our Board, and provides strategic advice to the business and operation of our Group. He was appointed as a director of Xiamen Byleasing in July 2016, and is currently the chairman and legal representative of Xiamen Byleasing. Mr. Zhou completed General English Language Course (advanced level) and graduated from Leicester College in October 2007. Mr. Zhou studied business and marketing at the Birmingham City Business School of Birmingham City University in the 2008/2009 academic session. Mr. Zhou was elected as a deputy to the 13th Fujian Provincial People's Congress in January 2018. Mr. Zhou has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Prospectus.

Mr. Zhou's employment history is set out in the table below:

| <u>Period of employment</u>         | <u>Company</u>   | <u>Principal business activities</u>        | <u>Position/Title</u>        | <u>Roles and responsibilities</u>   |
|-------------------------------------|--|---|------------------------------|---|
| July 2010 to August 2012 . . .      | Hangho Land (Xiamen) Co., Ltd.* (恒禾置地(廈門)股份有限公司)                               | Real estate development and management      | Assistant to general manager | Responsible for cost control and purchase department  |
| September 2012 till present . . . . | Septwolves Group Holding   | Project investment and asset management     | Deputy general manager       | Responsible for strategic planning and executing operation and investment plan and decisions of the company             |
| January 2015 till present . . . . . | Quanzhou Septwolves Private Capital Management Co., Ltd.* (泉州市七匹狼民間資本管理股份有限公司) | Asset investment consulting and management  | Executive director           | Responsible for the overall operation and equity investment and management of the company                               |
| September 2016 till present . . . . | Xiamen Qicheng Zhixing Investment Management LLP* (廈門市啟誠之星投資管理合夥企業(有限合夥))      | Equity investment consulting and management | General manager              | Responsible for strategic planning, investment and asset management and overall operation and management of the company |

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chen Xinwei** (陳欣慰), aged 44, is an executive Director. Mr. Chen is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Chen obtained his bachelor's degree in mathematics and his master's degree in probability theory and mathematical statistics from Xiamen University in July 1998 and June 2001, respectively. Mr. Chen also obtained a doctor's degree in economics from Xiamen University in September 2006. Mr. Chen has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Prospectus.

Mr. Chen's employment history is set out in the table below:

| <u>Period of employment</u>        | <u>Company</u>  | <u>Principal business activities</u>  | <u>Position/Title</u>                               | <u>Roles and responsibilities</u>  |
|------------------------------------|---|---|---|--|
| July 2004 to February 2006 . .     | Fujian Septwolves Group   | Project investment and asset management   | Chief investment officer and deputy general manager | Responsible for investment and financing business  |
| April 2006 to December 2009 .      | Changtai Jinxi Leisure Club Co., Ltd.*<br>(長泰錦溪休閒俱樂部有限公司)                 | Leisure and fitness services  | Director and general manager                        | Responsible for the overall operation of the company   |
| May 2010 to September 2014 .       | Xiamen Henghe Hotel Investment Co., Ltd*<br>(廈門恒禾酒店投資有限公司) <sup>(1)</sup> | Hotel investment and estate management  | Director  | Responsible for deciding development plan and management policy and material day-to-day matters of the company |
| September 2014 to October 2017 . . | Fujian Wuyuan Youtinggang Development Co., Ltd* (福建省五緣游艇港開發有限公司)          | Real estate development and management and harbor facilities, equipment and machinery leasing | Director  | Responsible for deciding development plan and management policy and material day-to-day matters of the company |
| March 2006 till present . . . . .  | Septwolves Group Holding  | Project investment and asset management   | Chief executive officer                             | Responsible for the overall operation of the group   |

*Note:*

- (1) The company was deregistered in September 2014 to facilitate business integration with another company and it was solvent immediately before deregistration.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Huang Dake (黃大柯)**, aged 47, our executive Director and general manager, is the principal founder of our Group and has served as a director and general manager of Xiamen Byleasing since its incorporation. Mr. Huang is primarily responsible for supervising the overall management, day-to-day operations and marketing management of our Group. Mr. Huang obtained his bachelor's degree in meteorological dynamics from Lanzhou University (蘭州大學) and his master's degree in quantitative economics from Huaqiao University (華僑大學) in June 1993 and July 2000, respectively. Mr. Huang also obtained a doctor's degree in economics from Xiamen University (廈門大學) in September 2006. Mr. Huang Dake has been serving as the chairman of Gansu Chamber of Commerce (Fujian branch) (福建省甘肅商會) since March 2015. Mr. Huang has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Prospectus.

Mr. Huang's employment history is set out in the table below:

| <u>Period of employment</u>       | <u>Company</u>  | <u>Principal business activities</u> | <u>Position/Title</u>        | <u>Roles and responsibilities</u>   |
|-----------------------------------|---|--------------------------------------|------------------------------|---|
| July 2008 to August 2009 . . .    | Xiamen Hongxin Boge Finance Leasing Co., Ltd. *<br>(廈門弘信博格融資租賃有限公司) | Finance leasing                      | Deputy general manager       | Responsible for business development and management of the company  |
| July 2006 to April 2017 . . . .   | Huaqiao University<br>(華僑大學)  | Education                            | Associate professor          | Responsible for research and education project  |
| June 2006 to February 2011 . .    | Shanghai Jifei Shiye Co., Ltd.*<br>(上海驥飛實業有限公司) <sup>(1)</sup>      | Electronic commerce                  | Director                     | Responsible for industry research and consulting  |
| March 2010 till present . . . . . | Xiamen Byleasing  | Finance leasing                      | Director and general manager | Responsible for supervising the overall management, day-to-day operations and marketing of Xiamen Byleasing |

*Note:*

- (1) Its business license was revoked in December 2007 due to the fact that it did not complete the annual enterprise inspection. The company was deregistered in February 2011, and it was solvent immediately before deregistration.

## DIRECTORS AND SENIOR MANAGEMENT

### *Non-executive Director*

**Mr. Ke Jinding** (柯金鏢), aged 42, is a non-executive Director. Mr. Ke is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Ke graduated with his diploma in business management from Huaqiao University (華僑大學) in July 1997. Mr. Ke has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Prospectus.

Mr. Ke's employment history is set out in the table below:

| <u>Period of employment</u>            | <u>Company</u>  | <u>Principal business activities</u>                             | <u>Position/Title</u>        | <u>Roles and responsibilities</u>   |
|--|---|--|------------------------------|---|
| July 1997 to<br>June 1998 . . . . .    | Jingong Machinery   | Manufacturing engineering and fundamental agricultural machinery | Worker                       | Responsible for assembly work   |
| June 1998 to<br>February 1999 . . .    | Jingong Machinery   | Manufacturing engineering and fundamental agricultural machinery | Assistant to general manager | Responsible for general administrative work   |
| February 1999 to<br>January 2000 . . . | Jingong Machinery   | Manufacturing engineering and fundamental agricultural machinery | Deputy sales general manager | Responsible for making material business decision of the company and developing, maintaining and serving material clients                                       |
| June 1999 till<br>present . . . . .    | Fujian Jinjiang Machinery Supply Co., Ltd.*<br>(福建省晉江工程機械配件銷售有限公司) <sup>(1)</sup> | Sales of engineering machinery and machinery parts               | Supervisor <sup>(2)</sup>    | Responsible for assisting company's daily business operation  |
| January 2000 till<br>present . . . . . | Jingong Machinery   | Manufacturing engineering and fundamental agricultural machinery | General manager              | Responsible for hosting senior management meetings, deciding and approving material matters of the company, and controlling the financial status of the company |

*Notes:*

- (1) Its business license was revoked in October 2006 due to the fact that it did not complete the annual enterprise inspection. The company is currently in the process of deregistration, and it was solvent immediately before commencement of the deregistration process.
- (2) Mr. Ke Jinding has been serving as a supervisor of the company since June 1999.

## DIRECTORS AND SENIOR MANAGEMENT

### *Independent Non-executive Directors*

**Mr. Chen Chaolin** (陳朝琳), aged 44, is an independent non-executive Director since 19 June 2018. Mr. Chen is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Mr. Chen obtained his bachelor's degree in economics from Xiamen University and his master's degree in business administration from Xiamen University in July 1995 and December 2002, respectively. Mr. Chen also obtained a doctor's degree in management from Xiamen University in June 2011. Since March 2016, Mr. Chen has been an independent non-executive director of Shenzhen Ysstech Info-Tech Co., Ltd. (深圳市贏時勝信息技術股份有限公司), a public listed company, the securities of which are listed on Shenzhen Stock Exchange since January 2014. Mr. Chen's employment history is set out in the table below:

| <u>Period of employment</u>        | <u>Company</u>   | <u>Principal business activities</u>               | <u>Position/Title</u>        | <u>Roles and responsibilities</u>                              |
|------------------------------------|--|--|------------------------------|--|
| August 1995 to October 1997 . .    | Fujian Feed Industry Company* (福建省飼料工業公司)  | Purchase and sale of primary agricultural products | Office clerk                 | Responsible for futures brokerage and proprietary trading      |
| November 1997 to August 1999 . .   | Lianjiang Ruibang Metal Product Company Limited* (連江瑞邦金屬製品有限公司)                            | Hardware development and production                | Assistant to general manager | Responsible for assisting with the general manager in working  |
| June 2001 to October 2004 . .      | Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司)                                  | Securities investment services                     | Project manager              | Responsible for investment and consulting services             |
| November 2004 to July 2008 . . . . | Xiamen Business Management Personnel Evaluation Recommendation Center* (廈門市企業經營管理人才評價推薦中心) | Headhunting and corporate management consulting    | Project manager              | Responsible for human resources management consulting services |
| June 2011 till present . . . . .   | Xiamen National Accounting Institute (廈門國家會計學院)  | Accountant training                                | Lecturer                     | Responsible for teaching and researching                       |

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Tu Liandong (涂連東)**, aged 49, is an independent non-executive Director since 19 June 2018. Mr. Tu is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Mr. Tu obtained his bachelor's degree in science from Fuzhou University (福州大學) and his master's degree in science from Xiamen University in July 1990 and September 1993, respectively. Mr. Tu also obtained the qualification of certified public accountants of the PRC in May 1997.

Mr. Tu has been an independent non-executive director of Xiamen 35.Com Technology Co., Ltd.\* (廈門三五互聯科技股份有限公司), a public listed company, the securities of which are listed on Shenzhen Stock Exchange since February 2010. Mr. Tu has been an independent non-executive director and chairman of the audit committee of Xiamen Anne Corporation Limited (廈門安妮股份有限公司), a public listed company, the securities of which are listed on Shenzhen Stock Exchange since May 2008. Mr. Tu served as an independent director of Tsann Kuen (China) Enterprise Co., Ltd., a public listed company, the securities of which are listed on Shenzhen Stock Exchange since June 1993. Mr. Tu served as an independent non-executive director of Novarise Renewable Resources International Ltd. (Novarise再生資源國際有限公司), a public listed company, the securities of which are listed on Australian Stock Exchange since April 2010.

Mr. Tu's employment history is set out in the table below:

| <u>Period of employment</u>         | <u>Company</u>  | <u>Principal business activities</u>                    | <u>Position/Title</u>                   | <u>Roles and responsibilities</u>   |
|-------------------------------------|---|---|---|---|
| September 1993 to July 1997 . . . . | JiMei University (集美大學)   | Education   | Lecturer                                | Responsible for teaching  |
| July 1997 to March 2002 . . .       | Xiamen ZhongXing Certified Public Accountants Co., Ltd.* (廈門中興會計師事務所有限公司) | Audit, capital verification and accounting consultation | Certified Public Accountant and partner | Responsible for accounting and tax consulting and auditing and property valuation               |
| March 2002 to May 2003 . . . .      | CSRC Xiamen Bureau (中國證監會廈門證監局)   | Securities and futures markets supervision              | Principal staff member                  | Responsible for supervision on securities and futures businesses                                |
| May 2003 to July 2016 . . . .       | Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司)                 | Investment management                                   | Chief financial officer and partner     | Responsible for listing guidance, investment consulting, financial advisory and fund management |
| July 2016 to November 2016          | Xiamen Fantai Investment Management Co., Ltd.* (廈門泛泰創業投資管理有限公司)           | Investment consulting                                   | Managing partner                        | Responsible for investment  |

## DIRECTORS AND SENIOR MANAGEMENT

| <u>Period of employment</u>              | <u>Company</u>   | <u>Principal business activities</u> | <u>Position/Title</u>                  | <u>Roles and responsibilities</u>                               |
|--|--|--------------------------------------|--|---|
| November 2016 to February 2018 . . . . . | Xiamen Southern Qianhe Investment Management Co., Ltd.* (廈門南方謙和投資管理有限公司)   | Investment and asset management      | Executive director                     | Responsible for fund management and investment consultation     |
| February 2018 till present . . . . .     | Xiamen Xuankai Investment Operation Management Co., Ltd.* (廈門宣凱投資運營管理有限公司) | Investment management consulting     | Executive director and general manager | Responsible for investment management and investment consulting |

**Mr. Xie Mianbi (謝綿陞)**, aged 49, is an independent non-executive Director since 19 June 2018. Mr. Xie is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Mr. Xie obtained his bachelor's degree in engineering mechanics from Northwestern Polytechnical University (西北工業大學) and his master's degree in finance from Xiamen University in July 1990 and December 1999, respectively. Mr. Xie also obtained a doctor's degree in economics from Xiamen University in June 2004.

Mr. Xie has not been a director of any public listed company, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Prospectus.

Mr. Xie's employment history is set out in the table below:

| <u>Period of employment</u>        | <u>Company</u>  | <u>Principal business activities</u> | <u>Position/Title</u> | <u>Roles and responsibilities</u> |
|------------------------------------|---|--------------------------------------|-----------------------|-----------------------------------|
| August 1990 to July 1994 . . . . . | Fujian Sanming Textile Industry College* (福建三明紡織工業學校) (now known as Sanming Medical and Polytechnic Vocational College (三明醫學科技職業學院))      | Education                            | Lecturer              | Responsible for teaching          |
| August 1994 to July 1998 . . . . . | Fujian Sanming Financial and Economics College* (福建三明財經學校) (now known as Sanming Medical and Polytechnic Vocational College (三明醫學科技職業學院)) | Education                            | Lecturer              | Responsible for teaching          |
| August 1998 till present . . . . . | JiMei University (集美大學)   | Education                            | Professor             | Responsible for teaching          |

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## DIRECTORS AND SENIOR MANAGEMENT

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### *Disclosure Required under Rule 17.50(2) of the GEM Listing Rules*

Save as disclosed above, none of our Directors:

- (i) held any other positions in the Company or other members of our Group as of the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of the Company as of the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date and other major appointments and professional qualifications.

Except for such interests of the executive Directors in the Shares which are disclosed in “Substantial Shareholders” and “Appendix IV — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders” in this Prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of the Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as of the Latest Practicable Date.



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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

For details of Mr. Huang Dake, see “— Directors” in this Prospectus.

**Mr. Zhang Zhaowei** (張兆偉), aged 44, is the deputy general manager of our Group. Mr. Zhang is responsible for sales and marketing matters of our Group. Mr. Zhang has been our deputy general manager since 2011. Mr. Zhang graduated with a bachelor’s degree in agricultural science from Huazhong Agricultural University (華中農業大學) in July 1994 and a master’s degree in business administration from Xiamen University in June 2002. Mr. Zhang also obtained a bachelor of science degree in computer science from Simon Fraser University (西蒙弗雷澤大學) in September 2009.

Mr. Zhang’s employment history is set out in the table below:

| <u>Period of employment</u>       | <u>Company</u>   | <u>Principal business activities</u>                         | <u>Position/Title</u>  | <u>Roles and responsibilities</u>                                       |
|-----------------------------------|--|--|------------------------|---|
| July 1994 to May 2000 . . . . .   | Xiamen Xingsha Industrial General Company* (廈門星鯨實業總公司) | Production and sales of medicines and animal health products | Manager                | Responsible for marketing and sales management                          |
| September 2003 to August 2005 . . | Lianhe Furniture Company* (聯合家具公司)                     | Sales of furniture and other products                        | Analyst                | Responsible for stock analysis and procurement                          |
| January 2008 to December 2009     | HSBC Bank (Canada) * (加拿大匯豐銀行)                         | Personal and corporate financial services                    | Analyst                | Responsible for database maintenance and online application development |
| March 2011 till present . . . . . | Xiamen Byleasing                                       | Finance leasing  | Deputy general manager | Responsible for sales and marketing matters of Xiamen Byleasing         |

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Deng Huaxin** (鄧華新), aged 42, is the deputy general manager of our Group and one of our joint company secretaries. Mr. Deng is responsible for administrative matters of the Board and risk management matters of our Group. Mr. Deng joined our Group in August 2015 as an assistant general manager of Xiamen Byleasing. He was re-appointed as a deputy general manager on 31 December 2016 and has remained in this position up to present. Mr. Deng graduated from Lanzhou University in June 1999 with a bachelor's degree in law. Mr. Deng is qualified to practice law in the PRC and is an arbitrator of Xiamen Arbitration Commission.

Mr. Deng's employment history is set out in the table below:

| <u>Period of employment</u>         | <u>Company</u>   | <u>Principal business activities</u> | <u>Position/Title</u>                                      | <u>Roles and responsibilities</u>  |
|-------------------------------------|--|--------------------------------------|--|--|
| July 1999 to<br>March 2001 . . .    | Xiamen Yihong Group Co., Ltd. * (廈門毅宏集團有限公司)           | Real estate development              | Legal specialist   | Responsible for overall legal matters, including contract review and management and litigation             |
| April 2001 to<br>March 2004 . . .   | Xiamen Tea Import and Export Co., Ltd* (廈門茶葉進出口有限公司)   | Import and export of products        | Manager of management department                           | Responsible for business planning, trade management and legal matters                                      |
| April 2004 to<br>April 2011 . . . . | Xiamen Sea Shine Group Co., Ltd. * (廈門夏商集團有限公司)        | Asset and investment management      | Head of legal department                                   | Responsible for overall legal matters and risk management and contract review and litigation               |
| May 2011 to July 2015 . . . . .     | Xiamen CCRE Finance Leasing Co., Ltd. * (廈門海翼融資租賃有限公司) | Finance leasing                      | Manager of risk management and asset management department | Responsible for project assessment, contract management and general legal matters and leasehold management |
| August 2015 till present . . . . .  | Xiamen Byleasing                                       | Finance leasing                      | Deputy general manager                                     | Responsible for administrative matters of the board and risk management matters of Xiamen Byleasing        |

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. Xu Jianxia** (許建霞), aged 44, is financial manager of our Group. Ms. Xu is responsible for financial and accounting matters of our Group. Ms. Xu joined our Group as our financial manager in May 2012. Ms. Xu graduated from Network Education School of Renmin University of China\* (中國人民大學網絡教育學院) in July 2008 with a bachelor's degree in marketing. Ms. Xu graduated from Concordia University in January 2017 with a master's degree in business administration.

Ms. Xu's employment history is set out in the table below:

| <u>Period of employment</u>       | <u>Company</u>  | <u>Principal business activities</u>  | <u>Position/Title</u>                  | <u>Roles and responsibilities</u>                                    |
|-----------------------------------|---|---------------------------------------|--|--|
| September 1991 to December 2004 . | Fujian Naoshan Paper Co., Ltd.* (福建饒山紙業有限公司)                    | Production and sale of paper products | Deputy manager of financial department | Responsible for financial and accounting matters of the company      |
| February 2005 to December 2011 .  | Xiamen Yuancheng Managing Consulting Co., Ltd.* (廈門市元成企管諮詢有限公司) | Corporate management consulting       | Financial manager                      | Responsible for financial and accounting matters of the company      |
| May 2012 till present . . . . .   | Xiamen Byleasing  | Finance leasing                       | Financial manager                      | Responsible for financial and accounting matters of Xiamen Byleasing |

### JOINT COMPANY SECRETARIES

**Ms. Ng Ka Man** (吳嘉雯) has been our joint company secretary since 16 November 2017. Ms. Ng is an assistant manager of the Listing Department of TMF Hong Kong Limited, a leading global professional services firm, where she is primarily responsible for assisting Hong Kong listed companies in handling company secretarial and compliance work. She has over ten years of company secretarial experience. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng obtained her master degree in Corporate Governance from The Open University of Hong Kong in 2011.

**Mr. Deng Huaxin** (鄧華新) has been our joint company secretary since 15 December 2017. For details of Mr. Deng Huaxin, see “— Senior Management” in this Prospectus.

### COMPLIANCE OFFICER

**Mr. Deng Huaxin** (鄧華新) has been our compliance officer since 15 December 2017. For details of Mr. Deng Huaxin, see “— Senior Management” in this Prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with our Articles of Association and the GEM Listing Rules, we have formed three Board committees, namely the audit committee, the remuneration committee and the nomination committee. Each of the three Board committees has written terms of reference. The committees operate in accordance with the terms of reference established by the Board.

#### *Audit Committee*

We have established an audit committee pursuant to a resolution of our Board passed on 15 December 2017. Our audit committee has written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee of the Company are to make recommendations to our Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Company. At present, our audit committee consists of three members, namely Mr. Tu Liandong, Mr. Chen Chaolin and Mr. Ke Jinding. The chairman of the audit committee is Mr. Tu Liandong, who is appropriately qualified as required under the Note to Rule 5.05(2) and Rule 5.28 of the GEM Listing Rules.

#### *Remuneration Committee*

We have established a remuneration committee pursuant to a resolution of our Board passed on 15 December 2017. The Company has written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee of the Company are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of our Directors determine their own remuneration. At present, the remuneration committee consists of three members: Mr. Chen Chaolin, Mr. Xie Mianbi and Mr. Huang Dake. The chairman of the remuneration committee is Mr. Chen Chaolin, an independent non-executive Director, as required under Rule 5.34 of the GEM Listing Rules.

#### *Nomination Committee*

We have established a nomination committee pursuant to a resolution of our Board passed on 15 December 2017. The Company has written terms of reference in compliance with the CG Code. The primary duties of the nomination committee of the Company are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to our Board regarding candidates to fill vacancies on our Board and/or in senior management. At present, the nomination committee consists of three members, namely Mr. Zhou Shiyuan, Mr. Tu Liandong and Mr. Xie Mianbi. The chairman of the nomination committee is Mr. Zhou Shiyuan, the chairman of the Board, as required by the CG Code.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group mainly in the form of fees, salaries, contributions to pension schemes and allowances and benefits in kind. The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) we paid to our Directors for the years ended 31 December 2016 and 2017 was RMB425,763 and RMB565,770, respectively. Details of the remuneration of each Director during the Track Record Period is set out in Note 10 to the Accountants' Report in Appendix I to this Prospectus.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) we paid to our senior management for the years ended 31 December 2016 and 2017 was RMB1,049,139 and RMB1,363,030, respectively.

Of the five individuals with the highest remunerations, there is one Director of our Group for each of the years ended 31 December 2016 and 2017, whose remunerations are included in the aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind we paid to the relevant Directors set out above.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable to our Directors for the year ending 31 December 2018 is estimated to be approximately RMB800,000.

During the Track Record Period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group. None of our Directors waived any emoluments during the Track Record Period.

The Company will regularly review and determine the remuneration and compensation packages of our Directors and senior management. After the Listing, the remuneration committee of the Company will review the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management and performance of our Group and make recommendations to the Board. After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Changjiang Corporate Finance as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules to provide us with services including providing guidance and advice in connection with compliance with the GEM Listing Rules. The compliance adviser will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us, among others, at the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated under the GEM Listing Rules, including but not limited to share issues and share repurchases;
- (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this Prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this Prospectus; and
- (iv) where the Stock Exchange makes inquiries of the Company regarding unusual movements in the price or trading volume of Shares, the possible development of a false market in its securities, or any other matters as mentioned under Rule 17.11 of the GEM Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date on which the Company complies 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 and such appointment shall be subject to extension by mutual agreement.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 20 June 2018 under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the Shares to motivate them to optimize their future contributions to our Group. The principal terms of the Share Option Scheme are summarized in “Appendix IV — Statutory and General Information — Share Option Scheme” in this Prospectus.

### CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we comply and will comply with the CG Code in Appendix 15 to the GEM Listing Rules after the Listing.

Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Share Offer.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, the following persons or entities will, immediately following the completion of the Capitalization Issue and the Share Offer, without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Company's register required to be kept under section 336 of the SFO, or are 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 any other member of our Group:

| Name                                  | Capacity/Nature of interest          | Number of Shares held (L) <sup>(Note 1)</sup> | Approximate percentage of shareholding in the Company |
|---------------------------------------|--------------------------------------|---|---|
| Septwolves Holdings . . . . .         | Beneficial owner                     | 118,968,750                                   | 44.06%  |
| Mr. Zhou Yongwei (Note 2) . . . . .   | Interest of a controlled corporation | 118,968,750                                   | 44.06%  |
| Zijiang Capital . . . . .             | Beneficial owner                     | 37,968,750                                    | 14.06%  |
| Mr. Ke Shuiyuan (Note 3) . . . . .    | Interest of a controlled corporation | 37,968,750                                    | 14.06%  |
| Mr. Ke Jinding (Note 3) . . . . .     | Interest of a controlled corporation | 37,968,750                                    | 14.06%  |
| HDK Capital . . . . .                 | Beneficial owner                     | 22,781,250                                    | 8.44%   |
| Mr. Huang Dake (Note 4) . . . . .     | Interest of a controlled corporation | 22,781,250                                    | 8.44%   |
| Shengshi Capital . . . . .            | Beneficial owner                     | 15,187,500                                    | 5.63%   |
| Mr. Huang Qinggang (Note 5) . . . . . | Interest of a controlled corporation | 15,187,500                                    | 5.63%   |

*Notes:*

- (1) The letter "L" denotes a person's long position as defined under Part XV of the SFO in such Shares.
- (2) Septwolves Holdings is held as to 37.06%, 31.47% and 31.47% by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. Mr. Zhou Yongwei controls 37.06% of the voting rights of Septwolves Holdings, and therefore is deemed to be interested in Septwolves Holdings' interest in the Company by virtue of the SFO.
- (3) Zijiang Capital is held as to 40.0%, 40.0% and 20.0% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Each of Mr. Ke Shuiyuan and Mr. Ke Jinding controls 40.0% of the voting rights of Zijiang Capital, and is therefore deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.
- (4) HDK Capital is held as to 100% by Mr. Huang Dake.

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## SUBSTANTIAL SHAREHOLDERS

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- (5) Shengshi Capital is held as to 80.0% by Mr. Huang Qinggang and 20.0% by Ms. Huang Baoyue. Mr. Huang Qinggang controls 80.0% of the voting rights of Shengshi Capital, and is therefore deemed to be interest in Shengshi Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Share Offer, without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, has an interest or a short position in any Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Company's register required to be kept under section 336 of the SFO, or are or will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.



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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Share Offer.

|  | HK\$                 |
|--|----------------------|
| <i>Authorized Share Capital:</i>             |                      |
| <u>1,000,000,000</u> Shares of HK\$0.01 each | <u>10,000,000.00</u> |

Assuming the Offer Size Adjustment Option is not exercised, the issued share capital of the Company immediately following the completion of the Capitalization Issue and the Share Offer will be as follows:

*Shares issued and to be issued as fully paid or credited as fully paid:*

|                    |  |                  |
|--------------------|--|------------------|
| 20,000             | Shares in issue as of the date of this Prospectus        | 200              |
| 202,480,000        | Shares to be issued pursuant to the Capitalization Issue | 2,024,800        |
| <u>67,500,000</u>  | Shares to be issued pursuant to the Share Offer          | <u>675,000</u>   |
| <u>270,000,000</u> | Shares in total  | <u>2,700,000</u> |

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of the Company immediately following the completion of the Capitalization Issue and the Share Offer will be as follows:

|  | HK\$   |                  |
|--|--|------------------|
| <i>Shares issued and to be issued as fully paid or credited as fully paid:</i> |  |                  |
| 20,000   | Shares in issue as of the date of this Prospectus                                | 200              |
| 202,480,000  | Shares to be issued pursuant to the Capitalization Issue                         | 2,024,800        |
| 67,500,000   | Shares to be issued pursuant to the Share Offer                                  | 675,000          |
| 10,125,000   | Shares to be issued upon exercise of the Offer Size Adjustment Option<br>in full | 101,250          |
| <u>280,125,000</u>   | Shares in total  | <u>2,801,250</u> |

### ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and the issue of Shares pursuant to the Capitalization Issue and the Share Offer are made. It takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at the time of the Listing and at all times thereafter be held by the public. The 67,500,000 Offer Shares represent 25% of the issued share capital in hands of the public, as defined in the GEM Listing Rules, upon the Listing.

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## SHARE CAPITAL

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### RANKING

The Offer Shares and the Shares which may be allotted and issued upon the exercise of the options which may be granted under Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme will rank *pari passu* in all respects with all other existing Shares in issue or to be issued as mentioned in this Prospectus, and in particular, will qualify and rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of issue of such Share.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- (i) 20.0% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme); and
- (ii) the total number of Shares repurchased by the Company, if any, under the general mandate to repurchase Shares referred to in “— General Mandate to Repurchase Shares” in this Prospectus.

The issue mandate will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For details of this general mandate to issue Shares, see “Appendix IV — Statutory and General Information — Further Information about the Company — 3. Written Resolutions of Our Shareholders Passed on 20 June 2018” in this Prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total number of not more than 10.0% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the requirements of the GEM Listing Rules and all applicable laws, regulations and rules.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company is required by the Articles of Association or any applicable law to hold our next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For details of this general mandate to repurchase Shares, see “Appendix IV — Statutory and General Information — Further Information about the Company — 3. Written Resolutions of Our Shareholders Passed on 20 June 2018” in this Prospectus.

### **SHARE OPTION SCHEME**

The Company has conditionally adopted the Share Option Scheme on 20 June 2018. Further details of the rules of the Share Option Scheme are set out in “Appendix IV — Statutory and General Information — Share Option Scheme” in 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. For details, see “Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law” in this Prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I to this Prospectus, together with the accompanying notes. The Accountants' Report 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 contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors" in this Prospectus.*

### OVERVIEW

We are a finance leasing company in Fujian Province dedicated to providing equipment-based financing solutions to our customers. According to Frost & Sullivan, we were the sixth largest licensed finance leasing company, with a market share of 1.1%, among all the licensed finance leasing companies in Fujian Province in terms of revenue in 2017.

During the Track Record Period, we derived substantially all of our revenue from our finance leasing business, which contributed to 98.5% and 91.6% of our revenue for the years ended 31 December 2016 and 2017, respectively. We primarily offered equipment-based finance leases, the term of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.3 million to RMB20.0 million, during the Track Record Period. To a lesser extent, we also provided factoring services and value-added advisory services to our customers. Since our inception, we had over 1,000 customers located in over 20 provinces.

Our customers are mainly SMEs and entrepreneurial individuals and, to a lesser extent, also include reputable large enterprises. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment.

We experienced rapid growth during the Track Record Period. Our revenue increased from RMB39.9 million for the year ended 31 December 2016 to RMB60.8 million for the year ended 31 December 2017. Our profit for the year increased from RMB15.0 million for the year ended 31 December 2016 to RMB20.7 million for the year ended 31 December 2017.

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## FINANCIAL INFORMATION

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### BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 June 2017. In anticipation of the Listing, we underwent a series of steps in our Reorganization. For details, see “History, Reorganization and Corporate Structure” in this Prospectus. Pursuant to the Reorganization, the Company became the holding company of the other subsidiaries comprising our Group on 10 November 2017.

The financial information included in the Accountants’ Report in Appendix I to this Prospectus has been prepared in accordance with HKFRSs. These principles have been consistently applied throughout the Track Record Period. In addition, the financial information includes applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The financial information has been prepared at the historical cost except that the financial assets classified as trading securities are stated at their fair value and is presented in Renminbi.

For details of the basis of preparation of our financial information, see Note 1.2 to the Accountants’ Report in Appendix I to this Prospectus.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and the period-to-period comparability of our financial results, as well as future performance, are affected by a number of external factors. Our financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below:

#### *Economic Environment and Market Conditions in China*

Our business, financial condition and results of operations are significantly affected by China’s economic environment and market conditions. During the Track Record Period, we derived substantially all of our revenue from our finance leasing business, the growth of which depends on customers’ demands for finance leasing services in China. China has experienced rapid economic growth over the past three decades largely as a result of the PRC Government’s extensive economic reform policies, which have focused on transforming China’s centrally-planned economy into a more market-based economy. According to Frost & Sullivan, China’s nominal GDP grew from RMB54.0 trillion in 2012 to RMB82.7 trillion in 2017, and fixed-asset investment increased from RMB37.5 trillion in 2012 to RMB64.1 trillion in 2017, with a CAGR of 11.3%. Meanwhile, China’s total equipment and tool spending also increased from RMB7.6 trillion in 2012 to RMB11.4 trillion in 2017, with a CAGR of 8.5%. The growth of China’s economy has led to increased number of SMEs and investment. During times of favorable economic conditions, SMEs that wish to expand their businesses turn to companies such as us to seek financing solutions. As SMEs are traditionally underserved by conventional banks and financial institutions, the growth of SMEs has benefited the finance leasing and factoring industries. In particular, SMEs have been a major driver of the economic growth in China. With massive equipment and tools demand arising from SMEs’ manufacturing and restructuring needs, the finance leasing and factoring industries are expected to sustain continued growth for the next few years.

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## FINANCIAL INFORMATION

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After 30 years of rapid development, China's economy has started to grow in a slower but more manageable manner. Due to the changed economic environment, many SMEs, including our customers, may be affected due to tightened policies associated with bank financing alongside their own challenges arising from a decrease in revenue and profitability as well as a general lack of liquidity to repay debts and other obligations. Changes in China's economic environment may adversely affect customers' demands for our services, our default ratio, our financing costs and the value of assets underlying our leases. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Macro economy, market conditions and government policies in China could adversely affect our business" in this Prospectus.

### *Government Regulations and Policies*

Major aspects of the PRC financial services industry are principally regulated by MOFCOM and the CBIRC, depending on business scope and whether an entity is foreign-invested, among other factors. We are primarily regulated by MOFCOM as we have been approved by MOFCOM as a "foreign-invested finance leasing company." Our business, financial condition and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC financial services industry, including the extent and scope of businesses or activities in which we can engage. In particular, MOFCOM has promulgated the Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the "**Measures**") on 3 February 2005, which were last amended on 28 October 2015, to regulate the operation of foreign-invested leasing businesses and finance leasing businesses. Under the Measures, we are allowed to engage in the finance leasing business, the purchase of assets relating to our leases, the repair, maintenance and disposal of assets underlying our leases, lease-related consulting, the provision of guarantees and other commercial activities as approved by MOFCOM. Despite the rapid growth of China's finance leasing industry in recent years, the relevant regulatory regime is still subject to further development. Promulgation of new regulations and rules, and changes in the interpretation or enforcement of existing laws, regulations and rules, may have a material impact on our business, financial condition and results of operations. For details, see "Regulatory Overview" in this Prospectus.

### *Interest Rates*

During the Track Record Period, we derived substantially all of our revenue from interest income from finance leasing and factoring businesses. The interest rate we charged our customer is an important factor that influences our revenue.

Our profit before taxation is impacted by our interest expenses, which are primarily determined by prevailing market interest rates. Our interest expenses are largely determined by the interest rates of our interest-bearing borrowings, 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 reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Adjustments to PBOC benchmark interest rates have impacted the average market interest rates of bank borrowings. Although the interest rates of our interest-bearing borrowings are set on a fixed basis, they are subject to fluctuations and amendment each time when we draw down from our banking facilities should PBOC benchmark interest rates fluctuate.

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## FINANCIAL INFORMATION

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Moreover, our profit before taxation is also impacted by whether we can adjust the interest rates we charge our customers in response to the fluctuations in interest rates of our interest-bearing borrowings to maintain our net interest spread and our net interest margin. Our ability to correspondingly adjust the interest rates of our finance leasing agreements in a timely manner, or at all, affects our net interest spread and net interest margin, and as a result, impacts our profitability. The PRC Contract Law includes a general mandate that the interest rate we charge a customer under a finance leasing agreement shall take into account the purchase cost of the property or asset underlying such finance leasing agreement and should allow for a reasonable profit margin for the lessor, except as otherwise agreed upon by the contracting parties. During the Track Record Period, our practice to adjust interest rates we charged our customers with reference to PBOC benchmark interest rates fully complied with the PRC Contract Law. Furthermore, as advised by our PRC Legal Advisers, there are no regulatory restrictions relating to the finance leasing or factoring interest rates we charge our customers under relevant PRC laws, regulations and rules. However, we may not be able to shift increased interest costs to our customers due to competition.

### *Funding Capability*

Due to the capital-intensive nature of the finance leasing business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding, ability to minimize the costs of funding and ability to expand our capital base. As of 31 December 2017, our PRC subsidiary, Xiamen Byleasing had a paid-in capital of RMB168.0 million. We strive to diversify our financing sources and primarily fund our operations and expansions through interest-bearing borrowings, our Shareholders' equity and cash flows from our operations. Leveraging our successful track record and the support of our Shareholders, we were able to obtain borrowings from a number of PRC banks, including a state-owned policy bank and national commercial banks, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. We also obtained an entrusted loan from an Independent Third Party through a state-owned commercial bank in the PRC. Our interest-bearing borrowings bore interest rates ranging from 4.35% to 6.24% on an annualized basis during the Track Record Period. As of 31 December 2016 and 2017, the balance of our total interest-bearing borrowings was RMB280.0 million and RMB340.0 million, respectively.

Subsequent to the Share Offer, we intend to obtain additional borrowings from banks to further enlarge our capital base. We will also increase our participation in the domestic and international capital markets to further diversify our funding sources. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments that impact our ability to sustain our funding or to expand our business would impact our cash flows and profitability.

### *Asset Quality and Provisioning Policy*

The quality of our interest-earning assets, primarily comprising our finance lease receivables, is affected by the industries and the customers we select. We believe that our comprehensive and effective risk management system with stringent procedures and measures helps to minimize our credit risk and ensure our asset quality. We closely monitor our non-performing assets and provide for impairment if we determine there is little likelihood of future payments.

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## FINANCIAL INFORMATION

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As advised by our PRC Legal Advisers, there were no PRC laws, regulations or rules that require non-bank finance leasing companies to classify the asset quality of their finance lease receivables as of the Latest Practicable Date. However, we voluntarily put in place a five-category asset quality classification system that is modeled after the statutory requirements relating to asset quality classification promulgated by the CBRC for finance leasing companies and other financial institutions subject to its regulation. We have implemented such system since 2015, and classified our assets in normal, special-mention, substandard, doubtful and loss. Our five-category asset quality classification system is modified based on, but differs slightly in descriptions of the definition of each category from, the traditional CBRC model. Our Directors confirm that such differences are not material and do not change the result of classification of our assets. We believe that our modified model better reflects the characteristics of the finance leasing industry, as well as provides a more accurate accounting treatment of different categories of assets.

We assess impairment either collectively or individually as appropriate. We assess our finance lease receivables for impairment, determine a level of provision for impairment losses, and recognize any related provision at the end of each relevant period. Our allowances for impairment losses on finance lease receivables amounted to RMB21.3 million and RMB19.4 million, respectively, representing 4.7% and 3.1% of the net amount of finance lease receivables as of 31 December 2016 and 2017, respectively. Provision for finance lease receivables that has been our non-performing assets is made based on our assessment of the recoverability of such assets. The identification of non-performing assets requires our management's judgment and estimates.

### *Competitive Landscape of China's Finance Leasing Industry*

The opening up of China's finance leasing industry has resulted in increased competition. Our competitors are mainly CBIRC-regulated financial leasing companies, MOFCOM-regulated finance leasing companies, independent leasing companies and other financial service companies that operate on a similar scale with a similar target customer base to ours. CBIRC-regulated financial leasing companies typically focus on leasing to large state-owned enterprises and have a customer base largely built on the customer network of their parent banks. Domestic-funded pilot finance leasing companies that are set up by large equipment manufacturers typically focus on supporting their equipment sales and plan their business expansions in line with the demand for their equipment. Compared to CBIRC-regulated financial leasing companies and domestic-funded pilot finance leasing companies that are set up by large equipment manufacturers, independent leasing companies utilize diversified capital sources and provide services to a relatively broader customer base characterized by greater flexibility, independence and discretion.

According to Frost & Sullivan, as of 31 December 2017, there was a total of 371 licensed finance leasing companies registered in Fujian Province that were permitted to carry out finance leasing businesses. We ranked sixth in terms of the revenue in 2017 among all finance leasing companies registered in Fujian Province.

Due to the rapid development of the entire industry, the barriers to enter the finance leasing industry appear to be eased. The typical entry barriers into the finance leasing industry include operational qualification, initial registered capital, strong and sustainable funding capabilities, professional risk management, and sales and marketing strengths. For details, see "Industry Overview" in this Prospectus.



## FINANCIAL INFORMATION

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our estimates and associated assumptions are based on our historical experience and other factors that are considered to be relevant. Actual results may deviate from our estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis.

In the preparation of the Company's underlying financial statements (as defined in the Accountants' Report in Appendix I to this Prospectus), of which the historical financial information (as defined in the Accountants' Report in Appendix I to this Prospectus) is based, we elected to early apply HKFRS 15, which has been applied consistently during the Track Record Period. Since the underlying financial statements are the Company's first financial statements since its date of incorporation, no transition disclosure is needed during the Track Record Period. The Directors of the Company do not consider the early adoption of HKFRS 15 had significant impact on the financial position and performance during the Track Record Period compared to the requirement of HKAS 18.

Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this Prospectus.

### DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

The components of results of operations for the years ended 31 December 2016 and 2017 were set forth below.

|   | Year ended 31 December |              |                |              |
|---|------------------------|--------------|----------------|--------------|
|   | 2016                   |              | 2017           |              |
|   | <i>RMB'000</i>         | %            | <i>RMB'000</i> | %            |
| Interest income . . . . .               | 39,940                 | 100.0        | 58,345         | 95.9         |
| Advisory fee income . . . . .           | 0                      | 0.0          | 2,463          | 4.1          |
| <b>Revenue . . . . .</b>                | <b>39,940</b>          | <b>100.0</b> | <b>60,808</b>  | <b>100.0</b> |
| Other net income . . . . .              | 2,669                  | 6.7          | 1,897          | 3.1          |
| Interest expenses . . . . .             | (16,169)               | (40.5)       | (18,688)       | (30.7)       |
| Operating expenses . . . . .            | (7,522)                | (18.8)       | (16,047)       | (26.4)       |
| Impairment losses charged . . . . .     | (130)                  | (0.3)        | (562)          | (0.9)        |
| <b>Profit before taxation . . . . .</b> | <b>18,788</b>          | <b>47.1</b>  | <b>27,408</b>  | <b>45.1</b>  |
| Income tax expense . . . . .            | (3,826)                | (9.6)        | (6,719)        | (11.1)       |
| <b>Profit for the year . . . . .</b>    | <b>14,962</b>          | <b>37.5</b>  | <b>20,689</b>  | <b>34.0</b>  |

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### *Revenue*

Our revenue consists of interest income and advisory fee income. During the Track Record Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, and our advisory fee income represented the advisory fees received from our value-added advisory services.

During the Track Record Period, we derived substantially all of our revenue from our finance leasing business, which contributed to 98.5% and 91.6% of our revenue for the years ended 31 December 2016 and 2017, respectively. Our revenue for the years ended 31 December 2016 and 2017 was RMB39.9 million and RMB60.8 million, respectively. The increase in our revenue during the Track Record Period was mainly due to the expansion of our finance leasing business.

The following table sets forth the revenue breakdown by service type for the periods indicated:

|   | Year ended 31 December |                     |                      |                     |
|---|------------------------|---------------------|----------------------|---------------------|
|   | 2016                   |                     | 2017                 |                     |
|   | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Finance leasing services                    |                        |                     |                      |                     |
| Direct finance leasing . . . . .            | 8,836                  | 22.1                | 14,338               | 23.6                |
| Sale-leaseback . . . . .                    | 30,521                 | 76.4                | 41,377               | 68.0                |
| Factoring services <sup>(1)</sup> . . . . . | 583                    | 1.5                 | 2,630                | 4.3                 |
| Advisory services . . . . .                 | 0                      | 0.0                 | 2,463                | 4.1                 |
| <b>Total revenue . . . . .</b>              | <b><u>39,940</u></b>   | <b><u>100.0</u></b> | <b><u>60,808</u></b> | <b><u>100.0</u></b> |

*Note:*

(1) Revenue from factoring services includes factoring interest income and entrusted loans interest income.

Our revenue from direct finance leasing increased from RMB8.9 million in 2016 to RMB14.3 million in 2017 mainly because: (i) with the expansion of our direct finance business in 2017, the monthly average balance of interest-generating direct finance lease receivables increased from RMB66.3 million in 2016 to RMB91.1 million in 2017; and (ii) the growth trend of the average effective interest rate per annum of direct finance lease receivables increased by 2.4%. Our revenue from sale-leaseback also increased from RMB30.5 million in 2016 to RMB41.4 million in 2017 mainly due to the increase in the lease portfolio under our sale-leaseback business in 2017.

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### *Other Net Income*

Our other net income mainly consists of interest income from deposits with financial institutions, waived payment for leased assets and investment income from wealth management products. Our other net income for the years ended 31 December 2016 and 2017 amounted to RMB2.7 million and RMB1.9 million, respectively. The following table sets forth the components of our other net income for the periods indicated:

|   | Year ended 31 December |                     |                     |                     |
|---|------------------------|---------------------|---------------------|---------------------|
|   | 2016                   |                     | 2017                |                     |
|   | <i>RMB'000</i>         | %                   | <i>RMB'000</i>      | %                   |
| Interest income from deposits with financial institutions . . . . . | 1,239                  | 46.4                | 990                 | 52.2                |
| Waived payment for leased assets . . . . .                          | 702                    | 26.3                | 0                   | 0.0                 |
| Investment income from wealth management products . . . . .         | 299                    | 11.2                | 207                 | 10.9                |
| Interest income from loan to a related party . . . . .              | 97                     | 3.7                 | 430                 | 22.7                |
| Government grants . . . . .   | 70                     | 2.6                 | 233                 | 12.3                |
| Others <sup>(1)</sup> . . . . .                                     | <u>262</u>             | <u>9.8</u>          | <u>37</u>           | <u>1.9</u>          |
| <b>Total other net income . . . . .</b>                             | <b><u>2,669</u></b>    | <b><u>100.0</u></b> | <b><u>1,897</u></b> | <b><u>100.0</u></b> |

*Note:*

(1) Others mainly include foreign exchange gains, gains from disposal of our motor vehicles for administrative purpose.

During the Track Record Period, we invested in wealth management products and recorded investment income. We formulate our investment management policies in line with our business operations and developments. We invest in wealth management products with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such products, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our finance department conducts risk control and supervision over our investment to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. We expect to continue to invest in wealth management products when the level of our working capital permits and our management sees fit, pursuant to our internal policies and procedures relating to such investment activities, going forward.

### *Interest Expenses*

Interest expenses mainly consist of interest expenses on our interest-bearing borrowings. We incur interest expenses on borrowings which are principally used to fund our finance leasing business. Our interest expenses for the years ended 31 December 2016 and 2017 were RMB16.2 million and RMB18.7 million, respectively, representing 40.5% and 30.7% of our total revenue, respectively. The increase in our interest expenses during the Track Record Period was generally in line with the increase in our interest income during the same periods.

## FINANCIAL INFORMATION

The following table sets forth the components of our interest expenses for the periods indicated:

|  | Year ended 31 December |                     |                      |                     |
|--|------------------------|---------------------|----------------------|---------------------|
|  | 2016                   |                     | 2017                 |                     |
|  | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Interest expenses on borrowings . . . . .  | 14,997                 | 92.8                | 15,191               | 81.3                |
| Imputed interest expenses on interest-free<br>guaranteed deposits from lessees . . . . . | 1,172                  | 7.2                 | 3,497                | 18.7                |
| <b>Total interest expenses . . . . .</b>   | <b><u>16,169</u></b>   | <b><u>100.0</u></b> | <b><u>18,688</u></b> | <b><u>100.0</u></b> |

### *Operating Expenses*

Our operating expenses consist primarily of staff cost, legal expenses and operating lease charges in respect of properties. Our operating expenses for the years ended 31 December 2016 and 2017 were RMB7.5 million and RMB16.0 million, respectively.

The table below sets forth the components of our operating expenses by nature for the periods indicated:

|  | Year ended 31 December |                     |                      |                     |
|--|------------------------|---------------------|----------------------|---------------------|
|  | 2016                   |                     | 2017                 |                     |
|  | <i>RMB'000</i>         | %                   | <i>RMB'000</i>       | %                   |
| Staff cost . . . . .   | 3,633                  | 48.3                | 5,960                | 37.1                |
| Legal expenses . . . . .   | 938                    | 12.5                | 107                  | 0.7                 |
| Operating lease charges in respect of<br>properties <sup>(1)</sup> . . . . . | 884                    | 11.7                | 1,146                | 7.1                 |
| Business travel and transportation expenses . . . . .                        | 443                    | 5.9                 | 603                  | 3.8                 |
| Auditor's remuneration . . . . .   | 263                    | 3.5                 | 109                  | 0.7                 |
| Depreciation and amortization . . . . .                                      | 254                    | 3.4                 | 180                  | 1.1                 |
| Property management expenses . . . . .                                       | 218                    | 2.9                 | 238                  | 1.5                 |
| Listing expenses . . . . .   | 0                      | 0.0                 | 5,898                | 36.8                |
| Sundry expenses . . . . .  | 889                    | 11.8                | 1,806                | 11.2                |
| <b>Total operating expenses . . . . .</b>                                    | <b><u>7,522</u></b>    | <b><u>100.0</u></b> | <b><u>16,047</u></b> | <b><u>100.0</u></b> |

*Note:*

- (1) During the Track Record Period, the operating lease charges in respect of properties were related to two office lease agreements disclosed in "Continuing Connected Transactions." The insignificant difference between the operating lease charges in the financial information and the rentals disclosed in "Continuing Connected Transactions" relates primarily to timing difference in recording the rental expenses under the lease agreement with Mr. Zhou Yongwei.

Staff cost, usually the single largest component of our operating expenses, accounted for 48.3% and 37.1% of our operating expenses for the years ended 31 December 2016 and 2017, respectively. We expect staff cost to continue to be the major component of our operating expenses in the future. We incurred Listing expenses of RMB5.9 million for the year ended 31 December 2017, which was non-recurring in nature.

## FINANCIAL INFORMATION

### *Impairment Losses Charged or Written Back*

Our impairment losses charged or written back mainly include impairment losses charged on loans and receivables. The table below sets forth the breakdown of our total impairment losses charged or written back by asset type for the periods indicated:

|  | Year ended 31 December |                     |                   |                     |
|--|------------------------|---------------------|-------------------|---------------------|
|  | 2016                   |                     | 2017              |                     |
|  | <i>RMB'000</i>         | %                   | <i>RMB'000</i>    | %                   |
| Finance lease receivables . . . . .              | 66                     | 50.6                | 77                | 13.7                |
| Trade and other receivables . . . . .            | (3)                    | (2.1)               | 59                | 10.5                |
| Loans and receivables . . . . .                  | <u>67</u>              | <u>51.5</u>         | <u>426</u>        | <u>75.8</u>         |
| <b>Total impairment losses charged . . . . .</b> | <b><u>130</u></b>      | <b><u>100.0</u></b> | <b><u>562</u></b> | <b><u>100.0</u></b> |

### *Income Tax Expense*

During the Track Record Period, Xiamen Byleasing was subject to a tax rate of 25.0% pursuant to the EIT Law effective from 1 January 2008, and our Previous Tibet Subsidiary was subject to an effective EIT rate of 9.0%. Our income tax expense for the years ended 31 December 2016 and 2017 was RMB3.8 million and RMB6.7 million, respectively. Our effective tax rate for the years ended 31 December 2016 and 2017 was 20.4% and 24.5%, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes and were not subject to any unresolved disputes.

### *Profit for the Year*

As a result of the foregoing, we recorded profit of RMB15.0 million and RMB20.7 million for the years ended 31 December 2016 and 2017, respectively.

## RESULTS OF OPERATIONS

The following table sets forth certain income and expense items from our consolidated statements of profit or loss and such items as a percentage of our revenue for the periods indicated:

|   | Year ended 31 December |                    |                      |                    |
|---|------------------------|--------------------|----------------------|--------------------|
|   | 2016                   |                    | 2017                 |                    |
|   | <i>RMB'000</i>         | %                  | <i>RMB'000</i>       | %                  |
| Interest income . . . . .               | 39,940                 | 100.0              | 58,345               | 95.9               |
| Advisory fee income . . . . .           | <u>0</u>               | <u>0.0</u>         | <u>2,463</u>         | <u>4.1</u>         |
| <b>Revenue . . . . .</b>                | <b>39,940</b>          | <b>100.0</b>       | <b>60,808</b>        | <b>100.0</b>       |
| Other net income . . . . .              | 2,669                  | 6.7                | 1,897                | 3.1                |
| Interest expenses . . . . .             | (16,169)               | (40.5)             | (18,688)             | (30.7)             |
| Operating expenses . . . . .            | (7,522)                | (18.8)             | (16,047)             | (26.4)             |
| Impairment losses charged . . . . .     | <u>(130)</u>           | <u>(0.3)</u>       | <u>(562)</u>         | <u>(0.9)</u>       |
| <b>Profit before taxation . . . . .</b> | <b>18,788</b>          | <b>47.1</b>        | <b>27,408</b>        | <b>45.1</b>        |
| Income tax expense . . . . .            | <u>(3,826)</u>         | <u>(9.6)</u>       | <u>(6,719)</u>       | <u>(11.1)</u>      |
| <b>Profit for the year . . . . .</b>    | <b><u>14,962</u></b>   | <b><u>37.5</u></b> | <b><u>20,689</u></b> | <b><u>34.0</u></b> |

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## FINANCIAL INFORMATION

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### *Year ended 31 December 2017 Compared with Year ended 31 December 2016*

#### **Revenue**

Our revenue increased by 52.2% from RMB39.9 million for the year ended 31 December 2016 to RMB60.8 million for the year ended 31 December 2017. This increase was mainly due to an increase in finance leasing income of RMB16.4 million as a result of: (i) the expansion of our finance leasing business which is in line with our increased net amount of finance lease receivables from RMB449.2 million as of 31 December 2016 to RMB619.9 million as of 31 December 2017; and (ii) the increased average effective interest rate per annum on our leases.

#### **Other net income**

Our other net income decreased by 28.9% from RMB2.7 million for the year ended 31 December 2016 to RMB1.9 million for the year ended 31 December 2017 primarily because we recorded waived payment for leased assets of RMB0.7 million in 2016 as a result of our exemption from payment obligations for equipment underlying a finance leasing agreement due to the default of the equipment supplier.

#### **Interest expenses**

Our interest expenses increased by 15.6% from RMB16.2 million for the year ended 31 December 2016 to RMB18.7 million for the year ended 31 December 2017. This increase was mainly due to an increase in imputed interest expenses on interest-free guaranteed deposits from lessees of RMB2.3 million mainly as a result of an increase in the total financing amount from our new leases in 2017.

#### **Operating expenses**

Our operating expenses increased significantly from RMB7.5 million for the year ended 31 December 2016 to RMB16.0 million for the year ended 31 December 2017 mainly due to: (i) an increase in Listing expenses of RMB5.9 million; and (ii) an increase in staff cost of RMB2.3 million as a result of an increase in the average salaries paid to our employees.

#### **Impairment losses charged**

Our impairment losses charged increased significantly from RMB0.1 million for the year ended 31 December 2016 to RMB0.6 million for the year ended 31 December 2017 mainly because of an increase in impairment losses on loans and receivables of RMB0.4 million.

#### **Income tax expense**

Our income tax expense increased significantly from RMB3.8 million for the year ended 31 December 2016 to RMB6.7 million for the year ended 31 December 2017 mainly because our profit before taxation increased from RMB18.8 million in 2016 to RMB27.4 million in 2017. Our effective tax rate increased from 20.4% for the year ended 31 December 2016 to 24.5% for the year ended 31 December 2017 mainly because we benefited from the tax effect of RMB0.9 million from non-taxable dividends of a securities investment fund for the year ended 31 December 2016 while there was no such investment for the year ended 31 December 2017.

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### Profit for the year

As a result of the foregoing, our profit for the year increased by 38.3% from RMB15.0 million for the year ended 31 December 2016 to RMB20.7 million for the year ended 31 December 2017, and our net profit margin decreased from 37.5% to 34.0% during the same period.

### LIQUIDITY AND CAPITAL RESOURCES

#### *Working Capital*

We strive to diversify our financing sources and primarily fund our operations and expansions through interest-bearing borrowings, our Shareholders' equity and cash flows from our operations. Our liquidity and capital requirements primarily relate to our finance leasing and factoring businesses and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, unutilized credit facilities of RMB1.4 million as of 31 December 2017, net proceeds from the Share Offer and cash flows from operations, our Directors are of the view that we have sufficient working capital for our operations at present and for at least the next 12 months from the date of this Prospectus.

#### *Cash Flows*

The following table sets forth a selected summary of our cash flow statements for the periods indicated:

|  | <u>Year ended 31 December</u> |                      |
|--|-------------------------------|----------------------|
|  | <u>2016</u>                   | <u>2017</u>          |
|  | <i>RMB'000</i>                | <i>RMB'000</i>       |
| Cash and cash equivalents at beginning of year . . . . .               | <u>13,333</u>                 | <u>170,544</u>       |
| Net cash flows generated from/(used in) operating activities . . . . . | 159,926                       | (211,031)            |
| Net cash flows (used in)/generated from investing activities . . . . . | (2,633)                       | 6,334                |
| Net cash flows (used in)/generated from financing activities . . . . . | <u>(82)</u>                   | <u>45,336</u>        |
| Net increase/(decrease) in cash and cash equivalents . . . . .         | <u>157,211</u>                | <u>(159,361)</u>     |
| Cash and cash equivalents at end of year . . . . .                     | <u><u>170,544</u></u>         | <u><u>11,183</u></u> |

#### **Net cash flows generated from/(used in) operating activities**

Our cash flows from operating activities principally consist of cash generated or used in relation to our finance leasing and factoring businesses.

For the year ended 31 December 2017, we had net cash used in operating activities of RMB211.0 million, primarily as a result of operating profit before changes in working capital of RMB41.7 million and the negative effect of the changes in working capital. Due to the nature of our business, when the growth of our lease portfolio is greater than that of the lease payments made by our customers, we record net cash outflows from operating activities. The negative changes in working capital mainly consisted of: (i) an increase in finance lease receivables of RMB172.6 million as a result of the

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expansion of our finance leasing business; (ii) the withdrawal of other guaranteed deposits of RMB90.0 million paid by a potential customer for our factoring service; (iii) an increase in loans and receivables of RMB14.9 million mainly due to our factoring services to a customer through entrusted loans of RMB42.0 million from a state-owned commercial bank; and (iv) an increase in pledged and restricted deposits of RMB11.9 million due to our increased notes payable as a result of the expansion of our finance leasing business. These cash outflows were partly offset by an increase in trade and other liabilities of RMB40.8 million, mainly due to an increase in notes payable of RMB21.8 million and an increase in guaranteed deposits from lessees of RMB16.1 million as a result of the expansion of our finance leasing business.

For the year ended 31 December 2016, we had net cash generated from operating activities of RMB159.9 million, primarily as a result of operating profit before changes in working capital of RMB32.5 million and the positive effect of the changes in working capital. The positive changes in working capital consisted of: (i) an increase in other guaranteed deposits of RMB90.0 million paid by a potential customer for our factoring service; (ii) a decrease in finance lease receivables of RMB40.2 million primarily because the net amount of our finance lease receivables on the leases underlain by the infrastructure and construction equipment decreased from RMB340.9 million as of 31 December 2015 to RMB302.7 million as of 31 December 2016; and (iii) a decrease in trade and other receivables of RMB17.2 million mainly due to a decrease in notes receivable of RMB10.4 million as a result of the maturity of such notes. These cash inflows were offset by: (i) a decrease in trade and other liabilities of RMB9.0 million mainly due to a decrease in guaranteed deposits from lessees of RMB30.1 million as a result of the total financing amount of new leases decreased from RMB388.4 million as of 31 December 2015 to RMB154.7 million as of 31 December 2016; (ii) an increase in loans and receivables of RMB4.5 million as a result of an increase in factoring receivable as a result of the commencement of our factoring services since January 2016; and (iii) an increase in pledged deposits of RMB2.4 million with Fujian Septwolves Group Finance as collateral for our notes payable.

### **Net cash flows (used in)/generated from investing activities**

Our cash flows used in investing activities consist of advances to a related party and payments for purchase of equipment. Our cash flows generated from investing activities mainly consist of repayment from a related party, net proceeds from wealth management products and mutual fund investments, and interest received from deposits with financial institutions.

For the year ended 31 December 2017, our net cash generated from investing activities was RMB6.3 million. Our net cash inflow from investing activities mainly consisted of repayment from a related party of RMB60.0 million, partially offset by advances to such related party of RMB55.0 million.

For the year ended 31 December 2016, our net cash used in investing activities was RMB2.6 million. Our net cash outflow from investing activities mainly consisted of advances to a related party of RMB60.0 million, partially offset by repayment from such related party of RMB55.0 million.

### **Net cash flows (used in)/generated from financing activities**

Our cash used in financing activities consists of repayment of borrowings, interest paid for our borrowings and payments for Listing expenses. Our cash generated from financing activities consists of proceeds from borrowings.



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For the year ended 31 December 2017, our net cash generated from financing activities was RMB45.3 million. Our net cash inflow from financing activities mainly consisted of proceeds from borrowings of RMB321.0 million, partially offset by repayments of borrowings of RMB261.0 million.

For the year ended 31 December 2016, our net cash used in financing activities was RMB81,917. Our net cash outflow from financing activities consisted of repayments of borrowings of RMB265.1 million and interest paid for our borrowings of RMB15.0 million, offset by proceeds from borrowings of RMB280.0 million.

### *Selected Items of the Consolidated Statements of Financial Position*

The following table sets forth our assets and liabilities as of the dates indicated:

|   | <u>As of 31 December</u>     |                              | <u>As of 30 April</u>        |
|---|------------------------------|------------------------------|------------------------------|
|   | <u>2016</u>                  | <u>2017</u>                  | <u>2018</u>                  |
|   | <i>RMB'000</i>               | <i>RMB'000</i>               | <i>RMB'000</i>               |
| <b>Non-current assets</b>                                   |                              |                              |                              |
| Finance lease receivables . . . . .                         | 255,891                      | 258,199                      | 234,743                      |
| Trade and other receivables . . . . .                       | 1,775                        | 281                          | —                            |
| Equipment . . . . .   | 472                          | 210                          | 228                          |
| Intangible assets . . . . .                                 | 320                          | 278                          | 264                          |
| Deferred tax assets . . . . .                               | <u>5,341</u>                 | <u>5,545</u>                 | <u>5,884</u>                 |
| Total non-current assets . . . . .                          | <u><u>263,799</u></u>        | <u><u>264,513</u></u>        | <u><u>241,119</u></u>        |
| <b>Current assets</b>                                       |                              |                              |                              |
| Finance lease receivables . . . . .                         | 172,043                      | 342,287                      | 337,475                      |
| Cash and cash equivalents . . . . .                         | 170,544                      | 11,183                       | 64,280                       |
| Trade and other receivables . . . . .                       | 8,436                        | 6,333                        | 3,107                        |
| Loans and receivables . . . . .                             | 4,401                        | 18,889                       | —                            |
| Pledged and restricted deposits . . . . .                   | 2,676                        | 14,578                       | 15,598                       |
| Financial assets at fair value through profit or loss . . . | —                            | —                            | 7,650                        |
| Total current assets . . . . .                              | <u><u>358,100</u></u>        | <u><u>393,270</u></u>        | <u><u>428,110</u></u>        |
| <b>Current liabilities</b>                                  |                              |                              |                              |
| Borrowings . . . . .  | 130,000                      | 190,000                      | 340,000                      |
| Trade and other liabilities . . . . .                       | 147,506                      | 81,190                       | 85,567                       |
| Income tax payable . . . . .                                | <u>4,811</u>                 | <u>6,142</u>                 | <u>5,820</u>                 |
| Total current liabilities . . . . .                         | <u><u>282,317</u></u>        | <u><u>277,332</u></u>        | <u><u>431,387</u></u>        |
| <b>Net current assets/(liabilities)</b> . . . . .           | <u><u>75,783</u></u>         | <u><u>115,938</u></u>        | <u><u>(3,277)</u></u>        |
| <b>Total assets less current liabilities</b> . . . . .      | <u><u>339,582</u></u>        | <u><u>380,451</u></u>        | <u><u>237,842</u></u>        |
| <b>Non-current liabilities</b>                              |                              |                              |                              |
| Bank borrowings . . . . .                                   | 150,000                      | 150,000                      | —                            |
| Trade and other liabilities . . . . .                       | <u>29,108</u>                | <u>47,979</u>                | <u>47,156</u>                |
| Total non-current liabilities . . . . .                     | <u><u>179,108</u></u>        | <u><u>197,979</u></u>        | <u><u>47,156</u></u>         |
| <b>Net assets</b> . . . . .                                 | <u><u><b>160,474</b></u></u> | <u><u><b>182,472</b></u></u> | <u><u><b>190,686</b></u></u> |

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Our net current assets increased from RMB75.8 million as of 31 December 2016 to RMB115.9 million as of 31 December 2017 mainly due to an increase in our finance lease receivables of RMB170.2 million as a result of the expansion of our finance leasing business. Our net assets increased from RMB160.5 million as of 31 December 2016 to RMB182.5 million as of 31 December 2017.

We recorded net current liabilities of RMB3.3 million as of 30 April 2018, while we recorded net current assets of RMB115.9 million as of 31 December 2017. Our net current liability position was mainly due to an increase in our total current liabilities. Our total current liabilities increased from RMB277.3 million as of 31 December 2017 to RMB431.4 million as of 30 April 2018 mainly as a result of the maturity of a long-term bank borrowing of RMB150.0 million within one year as of 30 April 2018. We seek to optimize our asset structure through equity financing and increasing the portion of short-term finance leases. According to our internal control measures, we regularly monitor the amounts of our current assets and current liabilities to ensure such amounts are within a controllable level, and take necessary steps to maintain an appropriate and healthy balance of long-term and short-term funding sources. We also ensure that the scheduled payments from our finance lease receivables match the amount and timing of our required repayments to the banks, thus providing stable and sufficient working capital to support our repayments. For our internal control measures of liquidity risk management, see “Business — Our Capital Base” and “Business — Risk Management — Liquidity Risk Management” in this Prospectus. Our Directors believe that our net current liability position will not have any material impact on our operations.

During the Track Record Period and up to the Latest Practicable Date, we invested in several wealth management products. We invested in such wealth management products with our short-term laid-up capital, and ensured that the investment amounts match our capital structure in terms of scale and that our ordinary business operations were not affected. The average daily balance of such products for the years ended 31 December 2016 and 2017 and the four months ended 30 April 2018 amounted to RMB7.8 million, RMB5.8 million and RMB27.2 million, respectively. We had financial assets at fair value through profit or loss of current assets of RMB7.7 million as of 30 April 2018. The financial assets at fair value through profit or loss that we invested in was a principal non-guaranteed wealth management product that is highly liquid with variable returns and was sold by one of the commercial banks. The wealth management product mainly focused on the investment in the financial instruments with good profitability and high liquidity, including but not limited to bank deposits, monetary market instruments, bonds and other fixed-income assets. Although the product was principal non-guaranteed, our Directors believe that the actual risk of losing any of the principal was very low because the product was categorized as relatively low risk by the bank and could be redeemed at any working day with the net value returned to our bank account within one day. Given the low interest rate of banking savings, we invested in such product with high liquidity and low risk to maximize the returns of unused funds. In order to minimize any potential risks brought by our investing activities, we have made it our treasury policy to only invest in principal guaranteed products and/or principal non-guaranteed products with low risk as categorized by the bank. Before we make the investment, we prepare an investment plan on the purchase of such wealth management product for our finance department to determine the investment amount and get the approval from our senior management or Board of Directors. In addition, our finance department will monitor the performance of such investment on a daily basis and immediately redeem the product if additional funds are needed for our business operations.

## FINANCIAL INFORMATION

For a maturity profile of our assets and liabilities, see “— Quantitative and Qualitative Disclosures about Market Risk — Liquidity Risk” in this Prospectus.

### Finance lease receivables

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers during the Track Record Period. The following table sets forth the breakdown of the net amount of our finance lease receivables by service type as of the dates indicated:

|  | As of 31 December |              |                |              |
|--|-------------------|--------------|----------------|--------------|
|  | 2016              |              | 2017           |              |
|  | <i>RMB'000</i>    | %            | <i>RMB'000</i> | %            |
| Direct finance leasing . . . . .                         | 129,984           | 28.9         | 110,163        | 17.8         |
| Sale-leaseback . . . . .                                 | 319,213           | 71.1         | 509,696        | 82.2         |
| <b>Net amount of finance lease receivables . . . . .</b> | <b>449,197</b>    | <b>100.0</b> | <b>619,859</b> | <b>100.0</b> |

The net amount of our finance lease receivables increased from RMB449.2 million as of 31 December 2016 to RMB619.9 million as of 31 December 2017 mainly due to the expansion of our finance leasing business. The net amount of receivables for direct finance leasing decreased from RMB130.0 million as of 31 December 2016 to RMB110.2 million as of 31 December 2017 mainly due to: (i) the new issuance of lease receivables with a net amount of RMB70.7 million in 2017; (ii) the collection of lease receivables of RMB52.6 million from the outstanding balance as of 31 December 2016; and (iii) the settlement of overdue supplier-backed lease receivables of RMB38.0 million. During the Track Record Period, all of our finance lease receivables were charged by fixed interest rates.

Finance lease receivables are mainly secured by leased assets, lessees’ deposits and leased assets repurchase arrangement where applicable. Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential and commercial properties. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB24.4 million were arranged through an entrusted loan with properties as the collateral as of 31 December 2017. Lessees’ deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the finance leasing agreements. The balance of the customers’ deposits can also be applied and used to settle any outstanding lease payments for the corresponding agreement. As of 31 December 2016 and 2017, the lessees’ deposits of RMB34.3 million and RMB50.4 million were pledged for related finance lease receivables, respectively.

We assess impairment losses in two ways, namely individual assessment and collective assessment. For details of our impairment policy, see Note 2h(ii) to the Accountants’ Report in Appendix I to this Prospectus. The overdue finance lease receivables will be classified according to the following standards: (i) when a monthly payment is overdue for more than 30 days, the total outstanding balance of such finance lease receivables will be considered as overdue; and (ii) when a monthly payment is overdue within 30 days, the balance of such installment, rather than the total outstanding balance of such finance lease receivables, will be considered as overdue. We treat finance lease receivables which is overdue for more than 90 days as impaired unless other observable evidence exists.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of the carrying amount of our finance lease receivables as of the dates indicated:

|   | As of 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2016                  | 2017                  |
|   | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Minimum finance lease receivables:                            |                       |                       |
| Not later than one year . . . . .                             | 228,206               | 427,381               |
| Later than one year and not later than five years . . . . .   | <u>295,935</u>        | <u>311,071</u>        |
| Gross amount of finance lease receivables . . . . .           | 524,141               | 738,452               |
| Less: unearned finance income . . . . .                       | <u>(74,944)</u>       | <u>(118,593)</u>      |
| Net amount of finance lease receivables . . . . .             | 449,197               | 619,859               |
| Less: allowances for impairment . . . . .                     | <u>(21,263)</u>       | <u>(19,374)</u>       |
| <b>Carrying amount of finance lease receivables . . . . .</b> | <b><u>427,934</u></b> | <b><u>600,485</u></b> |

The following table sets forth a breakdown of the net amount of finance lease receivables by industry as of the dates indicated:

|  | As of 31 December     |                       |
|--|-----------------------|-----------------------|
|  | 2016                  | 2017                  |
|  | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Infrastructure . . . . .   | 200,754               | 200,519               |
| Manufacturing . . . . .  | 154,748               | 121,131               |
| — Textiles and clothing . . . . .                                | 45,920                | 21,213                |
| — Computer, communication and electronic equipment . . . . .     | 18,429                | 16,272                |
| — Special-purpose equipment . . . . .                            | 37,472                | 6,605                 |
| — Metal products . . . . .                                       | 24,508                | 15,181                |
| — Chemical materials and products . . . . .                      | 13,123                | 10,106                |
| — Food . . . . .   | 1,386                 | 11,585                |
| — Printing and reproduction of recorded media industry . . . . . | 0                     | 12,888                |
| — Electrical materials and equipment . . . . .                   | 4,221                 | 6,222                 |
| — Others . . . . .   | 9,689                 | 21,059                |
| Services <sup>(1)</sup> . . . . .                                | 41,071                | 164,042               |
| Construction . . . . .   | 24,251                | 67,683                |
| Agriculture, forestry, animal husbandry and fishery . . . . .    | 12,467                | 559                   |
| Wholesale and retail . . . . .                                   | 11,434                | 58,362                |
| Others <sup>(2)</sup> . . . . .                                  | <u>4,472</u>          | <u>7,563</u>          |
| <b>Net amount of finance lease receivables . . . . .</b>         | <b><u>449,197</u></b> | <b><u>619,859</u></b> |

Notes:

- (1) Include equipment leasing, education, financial and catering services.
- (2) Include water, environment and public facilities management, mining, real estate, transportation, storage and postal and accommodations industries.

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For details, see “Business — Lease Portfolio — Lease Portfolio by Industry” in this Prospectus.

The following is the maturity profile of our finance lease receivables as of the dates indicated:

|   | As of 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2016                  | 2017                  |
|   | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Neither overdue nor impaired . . . . .                                      | 372,061               | 600,742               |
| — Not later than 30 days (inclusive) . . . . .                              | 18,772                | 18,804                |
| — Later than 30 days and not later than 90 days (inclusive) . . . . .       | 20,104                | 26,444                |
| — Later than 90 days and not later than one year (inclusive) . . . . .      | 73,380                | 296,064               |
| — Later than one year and not later than two years (inclusive) . . . . .    | 239,300               | 114,159               |
| — Later than two years and not later than three years (inclusive) . . . . . | 19,746                | 118,209               |
| — Later than three years and not later than five years . . . . .            | 759                   | 27,062                |
| Overdue but not impaired  |                       |                       |
| — Overdue within 30 days (inclusive) . . . . .                              | 70                    | 1,241                 |
| — Overdue 30 to 90 days (inclusive) . . . . .                               | 40,403                | 2,966                 |
| — Overdue above 90 days . . . . .   | 4,123                 | 273                   |
| Impaired . . . . .  | 32,540                | 14,637                |
| Less: Allowances for impairment losses . . . . .                            | (21,263)              | (19,374)              |
| <b>Carrying amount of finance lease receivables . . . . .</b>               | <b><u>427,934</u></b> | <b><u>600,485</u></b> |

We voluntarily put in place a five-category asset quality classification system that is modeled after the statutory requirements relating to asset quality classification promulgated by the CBRC for finance leasing companies and other financial institutions subject to its regulation. We classified our assets in normal, special-mention, substandard, doubtful and loss according to our five-category asset quality classification system. Our five-category asset quality classification system is modified based on, but differs slightly from, the traditional CBRC model. For details, see “Business — Provisioning Policies and Asset Quality — Provision for Finance Lease Receivables” in this Prospectus.

As of 30 April 2018, RMB7.5 million, or 39.2%, of our net amount of overdue finance lease receivables as of 31 December 2017 were settled. As of 30 April 2018, RMB73.7 million, or 11.9%, of our net amount of finance lease receivables as of 31 December 2017 were settled.

The following table sets forth the breakdown of the net amount of our finance lease receivables by category as of the dates indicated:

|  | As of 31 December     |                     |                       |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
|  | 2016                  |                     | 2017                  |                     |
|  | <i>RMB'000</i>        | %                   | <i>RMB'000</i>        | %                   |
| Normal . . . . .   | 345,852               | 77.0                | 591,537               | 95.4                |
| Special-mention . . . . .                                | 70,805                | 15.7                | 13,685                | 2.2                 |
| Substandard . . . . .                                    | 15,966                | 3.6                 | 0                     | 0                   |
| Doubtful . . . . .                                       | 13,627                | 3.0                 | 9,689                 | 1.6                 |
| Loss . . . . .   | 2,947                 | 0.7                 | 4,948                 | 0.8                 |
| <b>Net amount of finance lease receivables . . . . .</b> | <b><u>449,197</u></b> | <b><u>100.0</u></b> | <b><u>619,859</u></b> | <b><u>100.0</u></b> |

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We assess our finance lease receivables for impairment, determine a level of provision for impairment losses, and recognize any related provision at the end of each relevant period.

We assess impairment either collectively or individually as appropriate. Receivables which are considered individually significant, are assessed individually for impairment. If there is an objective evidence of impairment of receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate, namely the effective interest rate computed at initial recognition of these assets, where the effect of discounting is material. As of 31 December 2017, we recorded an individually assessed allowance of RMB12.0 million for the overdue and impaired finance lease receivables of RMB14.6 million, which are the total receivables classified as “substandard” and below.

As of 31 December 2017, we also recorded a collectively assessed allowance of RMB7.4 million for homogeneous groups of finance lease receivables with similar credit risk characteristics including finance lease receivables which are individually assessed with no objective evidence of impairment. The collective impairment allowances are derived from estimates including the historical losses, the historical emergence period for lease receivables, namely the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss, and other adjustment factors.

### Cash and cash equivalents

Cash and cash equivalents consist of our cash in hand and deposits with banks and other financial institutions. Our cash and cash equivalents decreased significantly from RMB170.5 million as of 31 December 2016 to RMB11.2 million as of 31 December 2017, primarily due to: (i) an increase in our finance lease receivables as a result of the expansion of our finance leasing business; and (ii) a decrease in our deposits of RMB90.0 million with Fujian Septwolves Group Finance in relation to our factoring service to a potential customer in 2016. Such factoring transaction did not proceed and the aforesaid deposits were returned to this potential customer.

### Loans and receivables

Our loans and receivables represented our receivables for factoring services, which include factoring receivable and entrusted loans. The following table sets forth a breakdown of our loans and receivables by nature as of the dates indicated:

|  | <b>As of 31 December</b> |                      |
|--|--------------------------|----------------------|
|  | <b>2016</b>              | <b>2017</b>          |
|  | <i>RMB'000</i>           | <i>RMB'000</i>       |
| Factoring receivable                         |                          |                      |
| — With recourse . . . . .                    | 4,468                    | 2,450                |
| — Without recourse . . . . .                 | 0                        | 3,432                |
| Entrusted loans . . . . .                    | 0                        | 13,500               |
| Less: allowances for impairment losses       |                          |                      |
| — Entrusted loans . . . . .                  | 0                        | (405)                |
| — Factoring receivable . . . . .             | (67)                     | (88)                 |
| <b>Total loans and receivables . . . . .</b> | <b><u>4,401</u></b>      | <b><u>18,889</u></b> |

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We have been providing factoring services since January 2016. Our factoring receivable increased from RMB4.5 million as of 31 December 2016 to RMB5.9 million as of 31 December 2017 as a result of the expansion of our factoring business. As of 31 December 2016 and 2017, the factoring receivables were neither overdue nor impaired. The allowances for impairment losses were provided on a collective basis. As of 31 December 2017, the entrusted loans were overdue but not impaired, and the allowances for impairment losses were provided on a collective basis. The entrusted loans were fully repaid on 26 January 2018.

For factoring transactions without recourse, we provided financing in return for the factoring interest and management fee income. According to the tripartite agreement signed with both the seller and the buyer, namely the obligor to pay the invoice amount, we first paid the invoice amount on behalf of the buyer to the seller, and we then collect the invoice amount, with agreed interest and management fee, directly from the buyer according to the agreed schedule. Such transactions initiated by the buyer and factor are also called “reverse factoring.” As the obligor in this case is the buyer, we have accounted for these transactions as financing to the buyer.

For factoring transactions with recourse, we signed the factoring agreement with the seller and paid part of the invoice amount of the factoring receivables, namely the principal. We would collect the principal and the agreed interest and management fee subsequently. Under certain circumstances such as a default by the buyer to pay the accounts receivable, we have the right to immediately demand the seller to repurchase the accounts receivable, by repaying the outstanding principal and related interest and management fee. As the seller retained substantially all of the risks and rewards associated with the factoring receivables, we have accounted for these factoring transactions as financing to the seller.

We recognized both of the receivables due from the buyers, in case of factoring transactions without recourse, and the sellers, in case of factoring transactions with recourse, initially at fair value and subsequently at amortized cost using the effective interest rate method. We review carrying amounts of factoring receivables at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided using a combination of individual assessment and collective assessment.

Entrusted loan under loans and receivables is a kind of receivable that is classified separately from our factoring receivable. Entrusted loan represent receivable from a transaction where we provide factoring services to a customer in the wholesale and retail industry. Due to restriction of collateral registration procedure, we provided factoring services to a customer through entrusted loans of RMB42.0 million from a state-owned commercial bank in China in 2017. The title of such customer’s accounts receivable was transferred to us in exchange for our financing services. Such loan was secured by collateral and guarantee. As of 31 December 2017, the entrusted loans were overdue but not impaired, and the allowances for impairment losses were provided on a collective basis. The entrusted loans were fully repaid on 26 January 2018.

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The following is an aged analysis of our loans and receivables as of the dates indicated:

|   | As of 31 December   |                      |
|---|---------------------|----------------------|
|   | 2016                | 2017                 |
|   | <i>RMB'000</i>      | <i>RMB'000</i>       |
| Within one month . . . . .                    | 4,468               | 15,532               |
| One month to three months . . . . .           | 0                   | 2,814                |
| Three months to one year . . . . .            | 0                   | 1,036                |
| Less: allowances for doubtful debts . . . . . | (67)                | (493)                |
| <b>Total</b> . . . . .                        | <b><u>4,401</u></b> | <b><u>18,889</u></b> |

As of 30 April 2018, RMB13.5 million, or 100%, of our overdue loans and receivable as of 31 December 2017 were fully settled.

### Trade and other liabilities

Our trade and other liabilities mainly include other guaranteed deposits, guaranteed deposits from lessees, notes payable, VAT payable and accounts payable. As of 31 December 2016 and 2017, we had trade and other liabilities of RMB176.6 million and RMB129.2 million, respectively.

The following table sets forth a breakdown of our trade and other liabilities as of the dates indicated:

|  | As of 31 December     |                       |
|--|-----------------------|-----------------------|
|  | 2016                  | 2017                  |
|  | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Guaranteed deposits from lessees . . . . .               | 34,267                | 50,365                |
| Notes payable . . . . .                                  | 26,760                | 48,595                |
| VAT payable and other tax payable . . . . .              | 19,738                | 23,153                |
| Accounts payable . . . . .                               | 3,892                 | 359                   |
| Accrued staff costs . . . . .                            | 800                   | 1,870                 |
| Receipts in advance . . . . .                            | 377                   | 135                   |
| Accrued liabilities . . . . .                            | 81                    | 177                   |
| Other guaranteed deposits . . . . .                      | 90,000                | 0                     |
| Guaranteed deposits from loans and receivables . . . . . | 447                   | 1,991                 |
| Other payables . . . . .                                 | 251                   | 1,462                 |
| Interest payable . . . . .                               | 0                     | 1,062                 |
| <b>Total trade and other liabilities</b> . . . . .       | <b><u>176,613</u></b> | <b><u>129,169</u></b> |

Our guaranteed deposits from lessees increased from RMB34.3 million as of 31 December 2016 to RMB50.4 million as of 31 December 2017 mainly due to an increase in the total financing amount of RMB506.6 million from our new leases in 2017.



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We had other guaranteed deposits of RMB90.0 million as of 31 December 2016 mainly due to the deposits of RMB90.0 million paid by a potential customer for our factoring service in 2016. This factoring transaction did not proceed and we returned the deposits to the customer.

Our notes payable, which was related to payment for leased equipment by notes to be settled between equipment suppliers and us, was RMB26.8 million and RMB48.6 million as of 31 December 2016 and 2017, respectively. Our accounts payable decreased from RMB3.9 million as of 31 December 2016 to RMB0.4 million as of 31 December 2017. Such changes in our notes payable and accounts payable were due to our increased settlement of payment for leased equipment with notes payable, rather than accounts payable, in 2017.

### *Indebtedness*

We primarily fund our operations and expansions through interest-bearing borrowings, our Shareholders' equity and cash flows from our operations. We obtain bank and other borrowings primarily for expanding our business.

As of 30 April 2018, the latest date for determining our indebtedness, our interest-bearing borrowings amounted to RMB340.0 million. The following table sets forth a breakdown of our outstanding interest-bearing borrowings by security as of the dates indicated:

|                                  | <u>As of 31 December</u> |                       | <u>As of 30 April</u> |
|----------------------------------|--------------------------|-----------------------|-----------------------|
|                                  | <u>2016</u>              | <u>2017</u>           | <u>2018</u>           |
|                                  | <i>RMB'000</i>           | <i>RMB'000</i>        | <i>RMB'000</i>        |
| Bank borrowings                  |                          |                       |                       |
| Guaranteed and secured . . . . . | 150,000                  | 150,000               | 150,000               |
| Guaranteed . . . . .             | 124,000                  | 0                     | 0                     |
| Unsecured . . . . .              | 6,000                    | 100,000               | 100,000               |
| Other borrowings                 |                          |                       |                       |
| Unsecured . . . . .              | <u>0</u>                 | <u>90,000</u>         | <u>90,000</u>         |
| <b>Total . . . . .</b>           | <b><u>280,000</u></b>    | <b><u>340,000</u></b> | <b><u>340,000</u></b> |

During the Track Record Period, all of our bank borrowings were subject to fixed interest rates. The finance lease receivables with carrying amount of RMB197.3 million and RMB198.1 million were pledged as collateral for our bank borrowings as of 31 December 2016 and 2017, respectively.

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Our other borrowings represent the borrowings from an Independent Third Party, as the borrower, through Industrial and Commercial Bank of China Songbai Branch, with a fixed interest rate of 5.655% per annum. During the Track Record Period and up to the Latest Practicable Date, this borrower was a PRC company wholly owned by Hoi Pok HK<sup>(1)(2)</sup>, a previous shareholder of Xiamen Byleasing which held 25% of the equity interest of Xiamen Byleasing immediately before it transferred all such equity interest to Septwolves Financial Holding on 30 April 2016. For details of such transfer, see “History, Reorganization and Corporate Structure — Evolution of Our Group — Xiamen Byleasing” in this Prospectus. Other than such arrangement and the previous relationship mentioned above and certain past and present joint investments, a past equity transaction and a past loan transaction with Fujian Septwolves Group or its subsidiary, we did not have any relationships or transactions with this borrower, its subsidiaries, shareholders, directors, senior management, or any of its associates. In addition, we did not experience any difficulties in obtaining borrowings or credit facilities from banks during the Track Record Period and up to the Latest Practicable Date. Considering that: (i) we did not have any record of default or overdue payments during the Track Record Period and up to the Latest Practicable Date and have maintained good credit record with banks; (ii) we have been accredited AA+ by a well-known national commercial bank in China from 2014 to 2017. The evaluation for such rating had taken into consideration the risks relating to our operations and funding sources as well as our capital sufficiency; (iii) we are in the process of seeking additional facilities from various banks and we have obtained two letters of intent with credit facilities of up to RMB190.0 million from two state-owned banks, for the purpose of answering short-term financial needs such as repayment of interest-bearing borrowing that is in and/or out of our normal course of business, our Directors believe that we will not have difficulties in obtaining borrowings from banks in the future.

As of 31 December 2016, loans amounting to RMB124.0 million were guaranteed by Septwolves Group Holding. As of 31 December 2017 and the Latest Practicable Date, there were no interest-bearing borrowings guaranteed by Septwolves Group Holding.

Our interest-bearing borrowings bore interest at rates ranging from 4.57% to 6.24% and 4.35% to 6.00% per annum as of 31 December 2016 and 2017, respectively.

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*Notes:*

- (1) Hoi Pok HK is an unincorporated company registered under the Business Registration Ordinance (Chapter 310, Laws of Hong Kong) in Hong Kong. The sole proprietor trading under the name of Hoi Pok HK is Ms. Cho Yiyi. As its form of business is sole proprietorship, Hoi Pok HK has no shareholder or director, and it does not have any senior management. The nature of its business is trading, and it principally engages in investment holding business, holding equity interest in certain PRC companies.
- (2) Although Hoi Pok HK ceased to be a shareholder of Xiamen Byleasing in July 2016, as the sole owner of Hoi Pok HK has known Mr. Zhou Yongwei for years and was familiar with Xiamen Byleasing’s background (including its strong shareholder base) and its business and financial condition, when Xiamen Byleasing sought financing in November 2017, such sole owner (through Industrial and Commercial Bank of China Songbai Branch) made the RMB90 million loan to Xiamen Byleasing in December 2017 via a PRC company wholly owned by Hoi Pok HK which had available funds at that time. At the same time, Xiamen Byleasing obtained such loan in 2017 because it would be more efficient for Xiamen Byleasing to obtain it from such sole owner through a commercial bank as compared to applying for a bank loan or loan facility from a commercial bank directly, and the fixed interest rate was more favorable to Xiamen Byleasing as compared to that offered by some of the banks.

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Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank borrowings in China. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as transfer of material assets, merger or consolidation, and division or restructuring. During the Track Record Period, we complied with all the covenants of our bank borrowings, did not default in payment of our bank borrowings, and did not experience any difficulties in obtaining bank borrowings. In addition, there were no material covenants which limited our ability to undertake additional debt or equity financing during the Track Record Period.

We generally apply for credit facilities on a case-by-case basis and we draw down amounts that we deem appropriate. As of 30 April 2018, we had used up all our credit facilities.

The table below sets forth the details of our indebtedness as of 30 April 2018.

| <u>Lender</u>   | <u>Amount</u>                | <u>Date of maturity</u>     |
|---|------------------------------|-----------------------------|
|   | RMB'000                      |                             |
| Bank D  | 150,000                      | 27 January 2019             |
| Bank C  | 40,000                       | 16 August 2018              |
|   | 20,000                       | 23 November 2018            |
|   | 20,000                       | 5 December 2018             |
|   | 20,000                       | 6 December 2018             |
| Industrial and Commercial Bank<br>of China Songbai Branch | <u>90,000<sup>(1)</sup></u>  | 20 June 2018 <sup>(2)</sup> |
| <b>Total</b>  | <b><u><u>340,000</u></u></b> |                             |

*Notes:*

- (1) Such loan was obtained through entrusted loan arrangement from an Independent Third Party.
- (2) We have obtained credit facilities through entrusted loan arrangement from the same Independent Third Party with Industrial and Commercial Bank of China Songbai Branch of RMB90.0 million as of the Latest Practicable Date to replace such loan. For our relationship with such Independent Third Party, please see "Financial Information — Indebtedness" in this Prospectus.

Since 30 April 2018 and up to the Latest Practicable Date, there had been no adverse change to our indebtedness. As of 30 April 2018, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

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### CAPITAL EXPENDITURES

Our capital expenditures consist primarily of expenditures for the purchase of office equipment and motor vehicles. The following table sets forth our capital expenditures for the periods indicated:

|   | <u>Year ended 31 December</u> |                  |
|---|-------------------------------|------------------|
|   | <u>2016</u>                   | <u>2017</u>      |
|   | <i>RMB'000</i>                | <i>RMB'000</i>   |
| Office equipment . . . . .                  | 1                             | 36               |
| Motor vehicles . . . . .                    | <u>180</u>                    | <u>0</u>         |
| <b>Total capital expenditures . . . . .</b> | <b><u>181</u></b>             | <b><u>36</u></b> |

We estimate that our capital expenditures for the year ending 31 December 2018 will primarily consist of leasehold improvements and the purchase of office equipment. We have funded and intend to fund our capital expenditures with cash generated from our operating activities.

### OPERATING LEASE COMMITMENTS

Operating lease commitments represented rentals payable by us for our offices. The following table sets forth our commitments for future minimum lease payments under non-cancellable operating leases falling due as of the dates indicated:

|   | <u>As of 31 December</u> |                   |
|---|--------------------------|-------------------|
|   | <u>2016</u>              | <u>2017</u>       |
|   | <i>RMB'000</i>           | <i>RMB'000</i>    |
| Within one year . . . . .                       | 870                      | 442               |
| One to five years (exclusive) . . . . .         | <u>363</u>               | <u>0</u>          |
| <b>Total operating lease payments . . . . .</b> | <b><u>1,233</u></b>      | <b><u>442</u></b> |

The lease terms typically ran for an initial period of one to three years, with an option to renew all terms during the Track Record Period. None of the leases included contingent rentals.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expected would materially adversely affect our business, financial position or results of operations.

Our Directors confirm that there has been no material change in our contingent liabilities since 31 December 2017 to the date of this Prospectus.

### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time, including direct finance leasing transactions, placing deposits and property leasing and management. During the Track Record Period, we entered into a framework agreement with Jingong Machinery, one of our connected persons. For the years ended 31 December 2016 and 2017, our revenue attributable to Jingong Machinery accounted for 4.4% and 2.7% of our total revenue, respectively. The total amounts paid by Xiamen

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Byleasing for purchasing equipment manufactured by Jingong Machinery pursuant to the direct finance leasing transactions for the years ended 31 December 2016 and 2017 were RMB14.4 million and RMB12.4 million, respectively. We also placed deposits with Fujian Septwolves Group Finance, a related party and a non-bank financial institution. We recorded interest income from such deposits of RMB1.2 million and RMB1.0 million for the years ended 31 December 2016 and 2017, respectively. Our account at Fujian Septwolves Group Finance was closed on 30 June 2017. In addition, we leased our headquarters in Xiamen from Septwolves Asset Management during the Track Record Period. The total rentals paid by Xiamen Byleasing to Septwolves Asset Management for the years ended 31 December 2016 and 2017 were RMB884,500 and RMB870,000, respectively. Trade and other receivables from MARX Capital and Shengshi Capital, and interest receivable from Fujian Septwolves Group were fully repaid subsequent to 31 December 2017.

It is the view of our Directors that each of the related party transactions set out in Note 28 to the Accountants' Report in Appendix I to this Prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

We expect some of our related party transactions to continue after the Listing. For details, see "Continuing Connected Transactions" in this Prospectus.

### KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios as of the dates or for the periods indicated:

|   | As of/For the year ended 31<br>December |       |
|---|---|-------|
|   | 2016                                    | 2017  |
| Return on equity <sup>(1)</sup> . . . . .                                 | 9.3%                                    | 11.3% |
| Return on assets <sup>(2)</sup> . . . . .                                 | 2.4%                                    | 3.1%  |
| Net profit margin <sup>(3)</sup> . . . . .                                | 37.5%                                   | 34.0% |
| Debt to equity ratio <sup>(4)</sup> . . . . .                             | 0.7x                                    | 1.8x  |
| Gearing ratio <sup>(5)</sup> . . . . .                                    | 1.7x                                    | 1.9x  |
| Net interest spread for finance leasing business <sup>(6)</sup> . . . . . | 4.8%                                    | 6.1%  |
| Net interest spread for factoring business <sup>(7)</sup> . . . . .       | 23.5%                                   | 10.6% |
| Net interest margin <sup>(8)</sup> . . . . .                              | 6.2%                                    | 8.2%  |

*Notes:*

- (1) Return on equity represents profit for the year divided by total equity as of the end of such year.
- (2) Return on assets represents profit for the year divided by total assets as of the end of such year.
- (3) Net profit margin represents profit for the year divided by revenue for the relevant year.
- (4) Debt to equity ratio represents total interest-bearing borrowings, less cash and cash equivalents, divided by total equity as of the end of a year.

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- (5) Gearing ratio represents total interest-bearing borrowings divided by total equity as of the end of a year end.
- (6) Net interest spread for finance leasing business represents the difference between the interest income yield for finance leasing business and the interest expenses yield for finance leasing business.
- (7) We utilized our own capital for factoring services and did not incur interest expenses for factoring services during the Track Record Period. Therefore, the net interest income equals to the interest income and the net interest spread equals to the interest income yield for factoring services.
- (8) Net interest margin is calculated by dividing net interest income by average monthly balance of the receivables related to our finance leasing services and factoring services and multiplied by 100%.

### ***Return on Equity***

Our return on equity increased from 9.3% as of 31 December 2016 to 11.3% as of 31 December 2017, which was primarily due to an increase in our profit for the year as a result of the expansion of our finance leasing business and our increased net interest spread.

### ***Return on Assets***

Our return on assets increased from 2.4% as of 31 December 2016 to 3.1% as of 31 December 2017, which was primarily due to an increase in our profit for the year as a result of the expansion of our finance leasing business and our increased net interest spread.

### ***Net Profit Margin***

Our net profit margin decreased from 37.5% for the year ended 31 December 2016 to 34.0% for the year ended 31 December 2017 mainly because: (i) we incurred Listing expenses of RMB5.9 million in 2017; and (ii) our effective tax rate increased from 20.4% in 2016 to 24.5% in 2017.

### ***Debt to Equity Ratio***

Our debt to equity ratio increased from 0.7 times as of 31 December 2016 to 1.8 times as of 31 December 2017 primarily attributable to a decrease in cash and cash equivalents as a result of the expansion of our finance leasing business and our deposits of RMB90.0 million in relation to our factoring service to a potential customer in 2016. This factoring transaction did not proceed and we returned the same deposits to such customer.

### ***Gearing Ratio***

Our gearing ratio increased from 1.7 times as of 31 December 2016 to 1.9 times as of 31 December 2017.

### ***Net Interest Spread***

Our net interest spread increased from 4.8% for the year ended 31 December 2016 to 6.1% for the year ended 31 December 2017 mainly due to our increased average effective interest rate per annum on leases for the year ended 31 December 2017.

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### *Net Interest Margin*

Our net interest margin increased from 6.2% for the year ended 31 December 2016 to 8.2% for the year ended 31 December 2017 mainly due to our increased average effective interest rate per annum on leases for the year ended 31 December 2017.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The primary financial risks we face in the ordinary course of business are credit risk, market risk and liquidity risk. For details, see Note 25 to the Accountants' Report in Appendix I to this Prospectus.

#### *Credit Risk*

Credit risk arises when a customer is unable or unwilling to meet its financial obligations to make timely payments or at all. Credit risk is considered as one of the most significant risks to our business operations. Management therefore carefully manages our exposure to credit risk. Credit risk primarily arises from our finance leasing business.

We establish industry risk management framework and measurements under which we perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

We enter into transactions only with recognized and creditworthy third parties. We examine and verify the credit risk of all customers with which we have credit transactions. In addition, we monitor and control the finance lease receivables regularly to mitigate the risk of significant exposures from non-performing assets.

Other financial assets include cash and bank balances, loans and receivables, trade and other receivables, deposits with banks and other financial institutions and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets. For details, see Note 25(a) to the Accountants' Report in Appendix I to this Prospectus.

#### *Market Risk*

Market risk arises when adverse changes in market prices, such as interest rates, exchange rates, as well as equity prices and other prices, lead to losses from our business. Our market risk mainly arises from currency risk and interest rate risk.

#### **Currency risk**

Our business is principally conducted in China and most of our monetary assets and liabilities are denominated in RMB. Accordingly, our Directors considered our exposure to foreign currency risk was not significant during the Track Record Period.

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## FINANCIAL INFORMATION

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### 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. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. We take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on our cash flow risks.

Interest margins may increase as a result of fluctuations in market interest rates, but may reduce or create losses in the event that unexpected movements arise. Therefore, we primarily manage the interest rate risk through controlling the re-pricing of the lease assets and its corresponding liabilities.

The following table sets forth a sensitivity analysis to illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rates on our retained profits, based on our positions of interest-generating assets and interest-bearing liabilities as of the dates indicated:

|                             | As of 31 December |                |
|-----------------------------|-------------------|----------------|
|                             | 2016              | 2017           |
|                             | RMB'000           | RMB'000        |
| <b>Retained profits</b>     |                   |                |
| +100 basis points . . . . . | 2,442             | 2,289          |
| -100 basis points . . . . . | <u>(1,597)</u>    | <u>(2,163)</u> |

### Liquidity Risk

Liquidity risk refers to risks that we encounter difficulties in meeting our obligations associated with our financial liabilities. Our management regularly monitors our liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and long terms. For details, see Note 25(c) to the Accountants' Report in Appendix I to this Prospectus.

### DIVIDEND

After the completion of the Share Offer, our Shareholders will be entitled to receive any dividends pro rata according to the Shares they hold unless otherwise stipulated in the Articles of Association. Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' general meeting for approval. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividend will be subject to the constitutional documents of the Company and the Cayman Companies Law.

No dividends have been declared or paid by us during the Track Record Period. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. Under applicable PRC laws, our subsidiary in the PRC may only distribute after-tax profits after it has made: (i) allocations or allowances for recovery of accumulated losses; (ii) allocations to the statutory reserves; and (iii) possible



## FINANCIAL INFORMATION

allocation to the discretionary reserves. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future.

### DISTRIBUTABLE RESERVES

As of 31 December 2017, we had reserves available for distribution to our Shareholders of RMB173.3 million.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of our Group as of 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer been completed as of 31 December 2017 or at any future dates.

|  | Consolidated net<br>tangible assets of<br>our Group as of<br>31 December<br>2017 <sup>(1)</sup> | Estimated net<br>proceeds from<br>the Share Offer <sup>(2)</sup> | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>our Group as of<br>31 December<br>2017 | Unaudited pro forma<br>adjusted consolidated net<br>tangible assets of our Group<br>per Share <sup>(3)</sup> |             |
|--|---|--|---|--|-------------|
|  | <i>RMB'million</i>  | <i>RMB'million</i>   | <i>RMB'million</i>  | <i>RMB</i>   | <i>HK\$</i> |
| Based on the Offer                           |   |  |   |  |             |
| Price of HK\$1.20<br>per Offer Share . . . . | 182.2   | 52.6   | 234.8   | 0.87   | 1.04        |
| Based on the Offer                           |   |  |   |  |             |
| Price of HK\$1.42<br>per Offer Share . . . . | 182.2   | 64.3   | 246.5   | 0.91   | 1.09        |

*Notes:*

- (1) The consolidated net tangible assets of our Group as of 31 December 2017 is arrived at after deducting intangible assets of RMB0.3 million from the consolidated net assets of our Group of RMB182.5 million as of 31 December 2017, as extracted from the Accountants' Report in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.20 per Share to HK\$1.42 per Share and the assumption that there are 67,500,000 newly issued Shares in the Share Offer, after deduction of the estimated underwriting commissions and other Listing related expenses payable by us, excluding Listing expenses of approximately RMB5.9 million that were charged to profit or loss for the year ended 31 December 2017 and taking no account of any Shares which may fall to be issued upon the exercise of Offer Size Adjustment Option. For illustrative purpose, the estimated net proceeds from the Share Offer have been converted from Hong Kong dollar into Renminbi at exchange rate of HK\$1.00 to RMB0.8359. 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 the rate or at any other rates or at all.

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## **FINANCIAL INFORMATION**

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- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to the preceding paragraphs and on the basis of 270,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer, assuming that the Capitalization Issue and the Share Offer have been completed on 31 December 2017, without taking into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.00 to RMB0.8359. 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 the rate of any other rates or at all.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2017.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this Prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 December 2017 and up to the date of this Prospectus.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to Rules 17.21 of the GEM Listing Rules.

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objectives are to become a leading finance leasing company in China while maintaining an effective risk management system. We aim to increase our market share and strengthen our positioning in the finance leasing industry. To achieve such objectives, we intend to implement our business strategies. For details of our business objectives and strategies, see “Business — Our Business Strategies” in this Prospectus.

### IMPLEMENTATION PLANS

We will endeavor to achieve the following milestone events during the period from the Listing Date to 31 December 2018. No proceeds will be used during the year ending 31 December 2019 and the six months ending 30 June 2020. The respective scheduled completion times are based on certain bases and assumptions as set out in “— Bases and Assumptions” in this Prospectus. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in “Risk Factors” in this Prospectus. There is no assurance that our business objectives will be achieved or our future plans will be implemented according to the estimated time frame or at all.

|  | From the Listing Date to 31 July 2018 | For the five months ending 31 December 2018 | Total        | Approximate percentage of net proceeds |
|--|---------------------------------------|---|--------------|--|
|  | HK\$ million                          | HK\$ million                                | HK\$ million | %                                      |
| Expanding our finance leasing business . . . . .               | 26.70                                 | 23.54                                       | 50.24        | 80.0                                   |
| Expanding our factoring business . . . . .                     | 3.48                                  | 2.80  | 6.28         | 10.0                                   |
| Working capital and other general corporate purposes . . . . . | 6.28                                  | 0   | 6.28         | 10.0                                   |
| <b>Total . . . . .</b>   | <b>36.46</b>                          | <b>26.34</b>                                | <b>62.80</b> | <b>100.0</b>                           |

### BASES AND ASSUMPTIONS

Potential investors should note that our ability to achieve our business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the PRC;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the prevailing laws (whether in the PRC or any other part of the world), policies or industry or regulatory treatments relating to us, or in the political, economic or market conditions in the places in which we operate or will operate;

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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- there will be no changes in the validity of the licenses, certificates and permits obtained by us;
- there will be no material changes in the bases or rates of taxation in the PRC;
- we will retain key personnel in our management team;
- there will be no significant changes in our business relationship with our existing strategic and business partners;
- there will be no significant changes in our business relationships with our major customers or principal bankers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under “— Implementation Plans” in this Prospectus; and
- we will not be materially affected by the risk factors as set out in “Risk Factors” in this Prospectus.

### REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

#### *Reasons for the Share Offer*

Due to the capital-intensive nature of the finance leasing business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding, ability to minimize the costs of funding, and ability to expand our capital base. During the Track Record Period, we utilized fixed-rate interest-bearing borrowings to finance our finance leasing business. In the case we obtain banking borrowings to finance our finance leasing business growth, our gearing ratio will rise, and additional interest cost will be incurred, by which we will be subject to interest rate risk. Because: (i) we do not intend to increase our short-term credit facilities to finance our mid- and long-term financial needs, including implementing our business strategy; (ii) in order to minimize our liquidity risk, we normally control net current liabilities within 30% of our net assets subject to our internal control measures of liquidity risk management; and (iii) it is not commercially viable for us to obtain long-term borrowings due to their higher interest rates, more strict application requirements and more time-consuming approval process, compared to short-term borrowings, we believe that to increase our share capital by way of the issuance of equity securities will: (i) improve our capital structure and gearing ratio; (ii) facilitate us to obtain long-term borrowings; (iii) minimize our liquidity risk without the need to constantly meet our repayment obligations with new borrowings or own funds; and (iv) better allocate our assets to further expand our business and maximize profitability. Seeking for equity financing is essential for our long-term financial needs, while short-term borrowings are normally used to satisfy our short-term financial needs. Through the Listing, not only will we be able to raise proceeds from the Share Offer to execute our growth strategies, but we will also gain access to the capital markets in future rounds of financing to fund further growth plans as and when necessary. We believe that raising capital through the issuance of equity or debt securities as a public company will involve relatively lower financing costs as compared with bank borrowings obtained by a private company. By continuing to enlarge our capital base, we will be able to grant more leases to our customers, which in turn will provide us with a more stable flow of income. We also believe that the Listing will enhance our

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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corporate profile, market reputation and brand awareness, which we believe will strengthen our existing customers' confidence in us, attract potential customers who are more willing to establish business relationship with a listed company, create more opportunities for us to collaborate with third-party credit rating companies as well as financial service providers, and enhance our overall bargaining power in negotiations with banks and other counterparties.

As of 30 April 2018, our cash and cash equivalents amounted to RMB64.3 million mainly because we were in the process of negotiating a financing lease at the amount of approximately RMB30.0 million. In addition, we settled notes payable (including deposits) of RMB47.6 million, which was matured, in May 2018. As a result, our cash and cash equivalents decreased as of 31 May 2018. As such, the substantial amount of our cash and cash equivalents as of a certain date does not change our reasons for listing mentioned above.

### *Use of Proceeds*

The net proceeds from the Share Offer are estimated to be approximately HK\$62.8 million, assuming an Offer Price of HK\$1.31 per Share (being the mid-point of the indicative Offer Price range), after deducting the underwriting commission and estimated total Listing expenses in the aggregate amount of approximately HK\$25.6 million paid and payable by us, assuming that the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised.

We intend to use such net proceeds from the Share Offer for the purposes and in the amounts set forth below:

- approximately 80.0%, or approximately HK\$50.24 million, will be used to expand our finance leasing business;
- approximately 10.0%, or approximately HK\$6.28 million, will be used to expand our factoring business; and
- approximately 10.0%, or approximately HK\$6.28 million, will be used to provide funding for our working capital and other general corporate purposes.

If the Offer Price is determined at HK\$1.42 per Share, being the highest point of the indicative Offer Price range, we will receive additional net proceeds of approximately HK\$7.2 million. If the Offer Price is determined at HK\$1.20 per Share, being the lowest point of the indicative Offer Price range, the net proceeds we receive will be reduced by approximately HK\$7.2 million. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Shares are priced at the high-end or low-end of the proposed Offer Price range.

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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The additional net proceeds that we would receive, if the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme are exercised in full, are estimated to be approximately HK\$12.9 million, after deducting the underwriting commission and our estimated expenses, assuming an Offer Price of HK\$1.31 per Share (being the mid-point of the indicative Offer Price range). We intend to use the additional net proceeds primarily in the same proportions as disclosed above.

In the event that any of our plans does not proceed as a result of circumstances such as changes in government policies that would render any of our plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate such funds for other purposes.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes and to the extent permitted by the relevant laws and regulations, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with licensed banks and/or financial institutions.

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## UNDERWRITING

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### UNDERWRITERS

#### *Sole Global Coordinator*

Changjiang Securities Brokerage (HK) Limited

#### *Joint Bookrunners (in alphabetical order)*

Aristo Securities Limited

ChaoShang Securities Limited

#### *Joint Lead Managers (in alphabetical order)*

Bluemount Securities Limited

ChaoShang Securities Limited

China Industrial Securities International Capital Limited

Cinda International Capital Limited

JS Securities Limited

#### *The Public Offer Underwriters (in alphabetical order)*

ChaoShang Securities Limited

Cinda International Capital Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### *The Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this Prospectus, the Application Forms and the Public Offer Underwriting Agreement at the Offer Price.

Subject to, among other conditions, the Listing Division granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus and certain other conditions under the Public Offer Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter(s)) may agree and in any event not later than the 30th day after the date of this Prospectus, the Public Offer Underwriter(s) has/have agreed to subscribe, or procure subscription for, the Public Offer Shares on the terms and conditions set out in this Prospectus, the relevant Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

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## UNDERWRITING

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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 in accordance with its terms.

### *The Placing Underwriting Agreement*

In connection with the Placing, it is expected that the Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Sole Global Coordinator and the Placing Underwriter(s) on or about 11 July 2018. Under the Placing Underwriting Agreement, the Placing Underwriter(s) would, subject to certain conditions, agree to procure subscribers to subscribe for and/or purchase the Placing Shares being offered pursuant to the Placing, or failing which to subscribe for and/or purchase, such Placing Shares which are not taken up under the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, the Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in “— Undertakings pursuant to the Public Offer Underwriting Agreement” in this Prospectus.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in the Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in “— Undertakings pursuant to the Public Offer Underwriting Agreement” in this Prospectus.

### *Grounds for Termination*

The Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) shall be entitled by notice in writing to the Company to terminate the arrangements set out in the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

If at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Sole Sponsor or the Sole Global Coordinator together:
  - (i) any statement contained in this Prospectus, the formal notice, any submission(s), document(s) or information provided to the Sole Sponsor and the Sole Global Coordinator, any announcement(s) or document(s) issued by the Company in connection with the Share Offer (including any supplement(s) or amendment(s) thereto) (the “**Relevant Documents**”), considered by any of the Sole Sponsor or the Sole Global Coordinator in its opinion was, when it was issued, or has become, or has been discovered to be untrue, incorrect, inaccurate or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in any of the



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## UNDERWRITING

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Share Offer Documents are not, in the opinion of the Sole Sponsor and the Sole Global Coordinator, fair, honest and made in good faith and based on reasonable assumptions, when taken as a whole;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute an omission therefrom considered by the Sole Sponsor or the Sole Global Coordinator together in its/their opinion to be material in the context of the Share Offer;
  - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor or the Sole Global Coordinator together in its/their opinion to be material in the context of the Share Offer (other than obligations imposed upon the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters) (as the case may be);
  - (iv) either (A) there has been a breach of any of the warranties or provisions of the Underwriting Agreement by any of the warrantors or (B) any matter or event showing or rendering any of the warranties, as applicable, in the opinion of the Sole Sponsor or the Sole Global Coordinator together, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated;
  - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of our Company, our executive Directors and the Controlling Shareholders pursuant to the indemnity provisions under the Underwriting Agreement or the terms of the Share Offer to be performed or implemented as envisaged;
  - (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Share Offer is refused or not granted on or before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
  - (vii) the Company withdraws the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares);
  - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public

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disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to SARS, MERS, H1N1 flu, H5N1 and H7N9 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in Hong Kong, the People's Republic of China, the BVI or Cayman Islands or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”);

- (ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement system or matters and/or disaster (including without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar against any foreign currency);
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
- (iv) the imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions;
- (v) the change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment laws or regulations or the implementation of any exchange control in any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change, or a materialization of, any of the risks set out in “Risk Factors” in this Prospectus;
- (vii) any litigation or claim of material importance being threatened or instigated against any member of the Group or any Director;
- (viii) any Director being charged with an indictable offense or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group may be adversely affected;
- (x) the commencement by any governmental, judicial or regulatory or political body or organization of any action against any Director or member of our Group or an announcement by any governmental, judicial or regulatory or political body or organization of any intention to take any such action;

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## UNDERWRITING

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- (xi) any contravention by any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law, the GEM Listing Rules, the SFO or any applicable law(s) and regulation(s);
- (xii) a prohibition on our Company for whatever reason from allotting or issuing the Offer Shares (including the new Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the Share Offer and the terms of the Public Offer Underwriting Agreement and the Relevant Documents;
- (xiii) non-compliance of this Prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable law(s) and regulation(s);
- (xiv) other than with the written approval of the Sole Sponsor and the Sole Global Coordinator, the issue or requirement to issue by the Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or any of the Controlling Shareholders or in respect of which any member of our Group or any of the Controlling Shareholders is liable prior to its stated maturity;
- (xvi) any loss or damage sustained by any member of our Group or any of the Controlling Shareholders (howsoever caused and whether or not the subject of any insurance or claim against any person);
- (xvii) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Group taken as a whole;
- (xviii) any petition or order is presented for the winding up or liquidation of any member of our Group or any of the Controlling Shareholders or any composition or arrangement made by any member of our Group or any of the Controlling Shareholders with its creditors or any scheme of arrangement entered into by any member of our Group or any of the Controlling Shareholders, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders or the appointment of any provisional liquidator, receiver or manager over all or part of any material assets or undertaking of any member of our Group or any of the Controlling Shareholders, or anything analogous thereto having occurred in respect of any member of our Group or any of the Controlling Shareholders;
- (xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions;

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## UNDERWRITING

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- (xx) any change or development in the conditions of local, national or international equity securities or other financial markets; or
  
- (xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority; or
  
- (c) such other events or circumstances, which in each case or in aggregate in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Public Offer Underwriters):
  - (A) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective shareholder in his, her or its capacity as such;
  - (B) has or will have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer;
  - (C) makes or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
  - (D) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof,

then the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Public Offer Underwriters) may in its/their absolute discretion, upon giving notice in writing to our Company, terminate the Public Offer Underwriting Agreement with immediate effect.

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## UNDERWRITING

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### *Undertakings to the Stock Exchange pursuant to the GEM Listing Rules*

#### **Undertaking by the Company**

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that during the period commencing from the Listing Date up to the date falling six months from the Listing Date, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the prescribed circumstances as stated in Rule 17.29 of the GEM Listing Rules.

#### **Undertaking by Controlling Shareholders**

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and the Company that he/it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- (a) during the period commencing on the date by reference to which disclosure of his/its shareholding is made in this Prospectus and ending on the date which is twelve months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this Prospectus to be the beneficial owners; or
- (b) during the period of twelve months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease either individually or taken together to be a Controlling Shareholder.

In addition to the undertakings pursuant to Rule 13.16A of the GEM Listing Rules, our Controlling Shareholders have further voluntarily and irrevocably undertaken to the Company for a twelve-month period commencing on the Listing Date, not to offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the Shares or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by the Controlling Shareholders (including holding as a custodian) or in respect of which he/it is shown by the Prospectus or otherwise to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder. The above undertakings are irrevocable and cannot be waived by the consent (whether written or not) of the Company. For details, see “— Undertakings pursuant to the Public Offer Underwriting Agreement” in this Prospectus.

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## UNDERWRITING

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Our Controlling Shareholders have also undertaken to the Stock Exchange and the Company respectively that in the event that any of them:

- (1) pledge or charge any direct or indirect interest in relevant securities under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rules 13.18(4) of the GEM Listing Rules, at any time during the period which is twelve months from the Listing Date, he/it must inform the Company immediately thereafter, disposing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (2) having pledged or charged any interest in securities under sub-paragraph (1) above, he/it must inform the Company immediately in event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

The Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the GEM Listing Rules as soon as possible.

### *Undertakings pursuant to the Public Offer Underwriting Agreement*

#### **Undertaking by the Company**

Pursuant to the Public Offer Underwriting Agreement, the Company has undertaken to and covenanted with each of the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that the Company shall not, and each of our executive Directors and Controlling Shareholders has undertaken to the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that it/he will procure the Company not to, without the prior written consent of Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalization Issue or the grant of any option under the Share Option Scheme:

- (a) at any time within the period of 12 months from the Listing Date (the “**First 12-month Period**”), accept subscription for, pledge, mortgage, charge, offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or disposal of, either directly or indirectly, conditionally or unconditionally, or repurchase any of the share capital or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital, including but not limited to rights as to voting, dividend or distribution, in cash or otherwise; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or

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## UNDERWRITING

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- (d) publicly disclose or announce any intention to enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period);

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of the Shares or other securities, in cash or otherwise and in the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of 12 months immediately following the First 12-month Period, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of the Company.

Each of our Controlling Shareholders has irrevocably undertaken to and covenanted with each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that, unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and will procure that none of its/his/her associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him not to:

- (a) at any time from the date of the Public Offer Underwriting Agreement until the expiry of the First 12-month Period:
  - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any Shares or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
  - (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 any such capital or securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

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## UNDERWRITING

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- (b) at any time during the period of second 12 months after the First 12-month Period (the “**Second 12-month Period**”), enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) or (a)(iv) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such sale, transfer or disposal, or upon the exercise or enforcement of such offer, pledge, charge, option, right, interests or encumbrances, our Controlling Shareholders (or any of them) will cease to be a Controlling Shareholder of the Company; and (c) until the expiry of the Second 12-month Period, in the event that any of our Controlling Shareholders enters into the foregoing transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the Shares or other securities of the Company.

The above undertakings are irrevocable and cannot be waived by the consent (whether written or not) of the Company, the Sponsor, the Sole Global Coordinator or the Public Offer Underwriters.

Each of our Controlling Shareholders further undertakes to and covenants with each of the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that:

- (i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of the Company or interests or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution in the securities of the Company pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange under Rule 13.18(4) of the GEM Listing Rules at any time before the expiry of the Second 12-month Period, it/he must inform the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters in writing immediately, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) if and when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in or rights attaching to the securities of the Company will be sold, transferred or disposed of, or it/he becomes aware that such pledgee or chargee has disposed of or intends to dispose such interest, it/he shall immediately inform the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters in writing of such indications or disposal and the number of Shares or other securities of the Company so involved.

The Company will also inform the Stock Exchange as soon as the Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

The Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement.



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## UNDERWRITING

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### *Fees, commission and expenses*

Pursuant to the Underwriting Agreements, the Offer Shares are being offered for subscription, subject to the terms and conditions in this Prospectus, at the Offer Price of HK\$1.20 to HK\$1.42 per Offer Share. The Underwriters will receive an underwriting commission of 6.5% of the aggregate Offer Price of all Offer Shares (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option), out of which they will pay any sub-underwriting commissions. Assuming the Offer Price is HK\$1.31, being the mid-point of the indicative Offer Price range, the aggregate commission, fees and expenses relating to the Share Offer and the Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing) are estimated to be HK\$25.6 million, of which HK\$10.3 million is expected to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining fees and expenses of HK\$15.3 million were, or are expected to be, charged to our profit or loss, of which HK\$7.1 million was charged for the year ended 31 December 2017, and HK\$8.2 million is expected to be charged upon Listing. The professional fees and other expenses related to the preparation of Listing subsequent to 31 December 2017 are the current estimate for reference only and the actual amount to be recognized is subject to adjustment based on the then changes in variables and assumptions. The Sole Sponsor will receive a sponsor fee of HK\$4.0 million in relation to the Listing and will be reimbursed for their expenses.

### *Independence of the Sole Sponsor*

No director, employee and close associate of the Sole Sponsor who is involved in providing advice to the Company has or, as a result of the Listing and/or the Share Offer, may have any interest in any class of securities of the Company or any other members of our Group (including options or rights to subscribe for such securities). No director, employee and close associate of the Sole Sponsor has any directorship in the Company or any other members of our Group. The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### *Sole Sponsor's interests in the Company*

The Sole Sponsor will be appointed as the compliance adviser of the Company with effect from the Listing Date until dispatch of the audited financial results for the second full financial year after the Listing Date.

Save for the abovementioned, its interests and obligations under the Underwriting Agreements and the sponsor's fee payable to the Sole Sponsor in respect of the Share Offer, the Sole Sponsor is not interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### STRUCTURE OF THE SHARE OFFER

The Share Offer comprises (subject to the Offer Size Adjustment Option):

- (a) the Public Offer of 6,750,000 new Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in “— The Public Offer” in this Prospectus; and
- (b) the Placing of an aggregate of 60,750,000 new Shares (subject to the Offer Size Adjustment Option) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this Prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25.0% of the total issued share capital of the Company immediately after the completion of the Share Offer and the Capitalization Issue (assuming that the Offer Size Adjustment Option is not exercised).

### THE PUBLIC OFFER

#### *Number of Shares initially offered*

We are initially offering 6,750,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of the Company immediately following the completion of the Share Offer and the Capitalization Issue (assuming that the Offer Size Adjustment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in “— The Public Offer” in this Prospectus.

#### *Allocation*

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has made an application under the Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### *Reallocation*

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

- (a) where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate;
  - (ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 6,750,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 13,500,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Offer Shares validly applied for under the Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 6 of the GEM Listing Rules, so that the total number of Public Offer Shares will be increased to 20,250,000 Offer Shares (in the case of (1)), 27,000,000 Offer Shares (in the case of (2)) and 33,750,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively;
- (b) where the Placing Shares are undersubscribed:
  - (i) if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for 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
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 6,750,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 13,500,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the indicative Offer Price Range (i.e. HK\$1.20 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### *Applications*

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making 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, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 6,750,000 Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.42 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$2,868.62 per board lot of 2,000 Offer Shares. If the Offer Price, as finally determined in the manner described in “— Price Determination of the Share Offer” in this Prospectus, is less than the maximum price of HK\$1.42 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for the Public Offer Shares” in this Prospectus.

### **THE PLACING**

The Placing of 60,750,000 Placing Shares are conditionally offered by the Company by way of private placements to individual, professional, institutional and/or other investors. The Placing Shares will represent 22.5% of the issued share capital of the Company upon completion of the Capitalization Issue and the Placing (without taking into account any Shares which may be allotted and issued upon the exercise of options which may be granted under the Offer Size Adjustment Option and the Share Option Scheme). The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements subject to the Offer Price being fixed by agreement between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date or such later date as may be agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters).

The Sole Global Coordinator or agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price plus brokerage fee of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% with individual, professional, institutional and/or other investors in Hong Kong. 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 his/her/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 the Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 13.02(2), 16.08 and 16.16 of the GEM Listing Rules.

### *Allocation*

The Placing will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares. Professional 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.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in “Structure and Conditions of the Share Offer — Price Determination of the Share Offer” in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

### **PRICE DETERMINATION OF THE SHARE OFFER**

The Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 11 July 2018 by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.42 per Offer Share and is expected to be not less than HK\$1.20 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 stated in this Prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative 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 a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Company ([www.byleasing.com](http://www.byleasing.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between the Company and the Sole Global Coordinator. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

The net proceeds of the Share Offer accruing to the Company (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Share Offer assuming that the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme are not exercised) are estimated to be approximately HK\$62.8 million, assuming an Offer Price per Offer Share of HK\$1.31 (being the mid-point of the stated indicative Offer Price range of HK\$1.20 to HK\$1.42 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares available under the Public Offer, are expected to be announced on Tuesday, 17 July 2018 on the website of the Company ([www.byleasing.com](http://www.byleasing.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or about Wednesday, 11 July 2018, the Share Offer will not become unconditional and will lapse immediately.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### UNDERWRITING AGREEMENT

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements. The Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters expect to enter into the Underwriting Agreements relating to the Share Offer on or about the Price Determination Date. The underwriting arrangements, and the Underwriting Agreements, are summarized in “Underwriting” in this Prospectus.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the Listing of, and permission to deal in, the Shares on GEM and the compliance 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 Listing Date 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 activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with 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 is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.byleasing.com](http://www.byleasing.com) on Tuesday, 17 July 2018.

### OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreements, we have granted to the Sole Global Coordinator the Offer Size Adjustment Option, which is exercisable by the Sole Global Coordinator (for itself and on behalf of the Underwriters) in its sole and absolute discretion on or before the Business Day immediately before the date of the allotment results announcement, in writing, to require the Company to allot and issue up to 10,125,000 additional Shares at the Offer Price, representing 15% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Sole Global Coordinator.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Share Offer. The Offer Size Adjustment Option will not be associated with any price stabilization activity of the Shares in the secondary market after the Listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Share Offer which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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We will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.byleasing.com](http://www.byleasing.com).

In the event that the Offer Size Adjustment Option is exercised in full, 10,125,000 additional Offer Shares will be issued resulting in a total number of 77,625,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6%. As the estimated net proceeds from the Placing (calculated at the Offer Price of HK\$1.31) will be increased from approximately HK\$69.9 million to approximately HK\$82.3 million if the Offer Size Adjustment Option is exercised in full and the unaudited pro forma adjusted net tangible assets of our Group will be increased from approximately HK\$287.9 million to approximately HK\$300.3 million, the adjusted net tangible asset value per Share will be increased from approximately HK106.6 cents to HK107.2 cents.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated on a pro-rata basis in accordance with the allocations as disclosed in “Statement of Business Objectives and Use of Proceeds — Reasons for the Share Offer and Use of Proceeds” in this Prospectus.

### DEALINGS ARRANGEMENTS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Wednesday, 18 July 2018. The Shares will be traded in board lot of 2,000 Shares each. The stock code for the Shares is 8525.



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); 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.

The Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

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 apply online through the **HK eIPO White Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact phone number.

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 authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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 the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Public Offer;
- a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### *Which Application Channel to Use*

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply through [www.hkeipo.hk](http://www.hkeipo.hk).

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 Saturday, 30 June 2018 until 12:00 noon on Monday, 9 July 2018 from:

- (i) the office of the Sole Sponsor:

**Changjiang Corporate Finance (HK) Limited**  
Suite 1908, 19th Floor, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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(ii) the office of the Public Offer Underwriters:

**Cinda International Capital Limited**

45/F, Cosco Tower  
183 Queen's Road Central  
Central  
Hong Kong

**ChaoShang Securities Limited**

Rm 4001-02, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

(iii) any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank:

|                 | <u>Branch name</u>                   | <u>Address</u>                    |
|-----------------|--------------------------------------|-----------------------------------|
| Kowloon         | Shanghai Street<br>(Mong Kok) Branch | 611-617 Shanghai Street, Mong Kok |
| New Territories | Kau Yuk Road Branch                  | 18-24 Kau Yuk Road, Yuen Long     |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Monday, 9 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 BANK OF CHINA (HONG KONG) NOMINEES LIMITED — BYLEASING PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

|                        |   |                         |
|------------------------|---|-------------------------|
| Saturday, 30 June 2018 | — | 9:00 a.m. to 1:00 p.m.  |
| Tuesday, 3 July 2018   | — | 9:00 a.m. to 5:00 p.m.  |
| Wednesday, 4 July 2018 | — | 9:00 a.m. to 5:00 p.m.  |
| Thursday, 5 July 2018  | — | 9:00 a.m. to 5:00 p.m.  |
| Friday, 6 July 2018    | — | 9:00 a.m. to 5:00 p.m.  |
| Saturday, 7 July 2018  | — | 9:00 a.m. to 1:00 p.m.  |
| Monday, 9 July 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 Monday, 9 July 2018, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this Prospectus.

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## HOW TO APPLY FOR THE 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 or applying through the **HK eIPO White Form** service, among other things, 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 from whom you act:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Lead Manager (or their agents or nominees), as agents of the 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 of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law and the Articles of Association;
- (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 Public Offer in this Prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, 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 the Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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;

- (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) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) and/or e-Auto Refund payment instructions 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 have chosen 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 the Company and the Sole Sponsor, the Sole Global Coordinator and the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer 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 or to **HK eIPO White Form** Service Provider 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 to HKSCC 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 THE PUBLIC OFFER SHARES

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### *Additional Instructions for YELLOW Application Form*

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

### *General*

Individuals who meet the criteria in “— 2. Who Can Apply” in this Prospectus, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### *Time for submitting applications under the HK eIPO White Form*

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, 30 June 2018 until 11:30 a.m. on Monday, 9 July 2018 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Monday, 9 July 2018 or such later time under the paragraph headed “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this Prospectus.

### *No multiple applications*

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### *Section 40 of the Companies (Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the Company and 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 (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 6. 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 money 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 <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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and the Hong Kong Branch Share Registrar.

#### *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;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- 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 Placing 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 authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Sponsor and the Sole Global Coordinator and the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer 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;
- authorize the Company to place HKSCC Nominees' name on the 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;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public 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 the Company, our Hong Kong Branch Share Registrar, receiving banks, the Underwriters and/or its 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 Saturday, Sunday or a public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give instructions and such collateral contract to be in consideration of the Company agreeing



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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 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 the 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 the giving electronic application instructions to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### *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 the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- instructed and authorized 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 2,000 Public Offer Shares. Instructions for more than 2,000 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:

|                        |   |  |
|------------------------|---|--|
| Tuesday, 3 July 2018   | — | 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>  |
| Wednesday, 4 July 2018 | — | 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>  |
| Thursday, 5 July 2018  | — | 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>  |
| Friday, 6 July 2018    | — | 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>  |
| Saturday, 7 July 2018  | — | 8:00 a.m. to 1:00 p.m. <sup>(1)</sup>  |
| Monday, 9 July 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.

CCASS Investor Participants can input **electronic application instructions** from 6:00 a.m. on Monday, 2 July 2018 until 12:00 noon on Monday, 9 July 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 Monday, 9 July 2018, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus.

### *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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the 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 the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, 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.

## 7. 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. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. 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. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service 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 Monday, 9 July 2018.

## 8. 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.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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**).

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made with that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorized to sign the Application Form as that other person's agent.

Multiple applications or suspected multiple applications will be rejected and all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form for more than 6,750,000 Public Offer Shares; or
- apply for, take up, indicate an interest (whether individually or jointly with others) for any Placing Shares or otherwise participate in the Placing; or
- both apply on one **WHITE** Application Form and one **YELLOW** Application Form; or receive any Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit or for the benefit of any of your joint applicant(s).

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 the company;*

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the 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).*

### 9. 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 the Public Offer 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 2,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), 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 details of the Offer Price, see “Structure and Conditions of the Share Offer — Price Determination of the Share Offer” in this Prospectus.

### 10. 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 Monday, 9 July 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 Monday, 9 July 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 “Expected Timetable” in this Prospectus, an announcement will be made in such event.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 11. PUBLICATION OF RESULTS

The Company expects to announce (i) the final Offer Price, (ii) the level of applications in the Public Offer and (iii) the basis of allocation of the Public Offer Shares on Tuesday, 17 July 2018 on the Company's website at [www.byleasing.com](http://www.byleasing.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 dates and in the manner specified below:

- in the announcement to be posted on the Company's website at [www.byleasing.com](http://www.byleasing.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Tuesday, 17 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 Tuesday, 17 July 2018 to 12:00 midnight on Monday, 23 July 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 July 2018 to Friday, 20 July 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 17 July 2018 to Thursday, 19 July 2018 at all the receiving bank designated branches.

If the 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 Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are contained in "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.

### 12. 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 or to the **HK eIPO White Form** Service Provider, 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 the Company.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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) Ordinance (as applied by Section 342E 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.

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 the Company or its agents exercise their discretion to reject your application:*

The Company, the Sole Sponsor, the Joint Lead Managers, the **HK eIPO White Form** Service Provider 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.

*(iii) If the allotment of Public Offer Shares is void:*

The allotment of Public Offer Shares will be void if the Listing Committee of 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 Listing Committee notifies the 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;
- your electronic application instructions through the **HK eIPO White Form** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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 dishonored upon its first presentation;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 6,750,000 Public Offer Shares initially offered under the Public Offer.

### 13. 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\$1.42 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 “Structure and 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 Tuesday, 17 July 2018.

### 14. 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).

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 favor 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).



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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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 Tuesday, 17 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 Wednesday, 18 July 2018 provided that the Public Offer has become unconditional and the right of termination described in "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 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 Tuesday, 17 July 2018 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

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 Tuesday, 17 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 for collection of refund cheque(s). 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 Tuesday, 17 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 Tuesday, 17 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- *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*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "— 11. Publication of Results" in this Prospectus. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 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 through HK eIPO White Form service**

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 July 2018, or such other date as notified by the Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 17 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### (iv) 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 Tuesday, 17 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 "— 11. Publication of Results" above on Tuesday, 17 July 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 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 Tuesday, 17 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 Tuesday, 17 July 2018.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 15. 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-46, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BYLEASING HOLDINGS LIMITED AND CHANGJIANG CORPORATE FINANCE (HK) LIMITED**

### **INTRODUCTION**

We report on the historical financial information of Byleasing Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-46, which comprises the consolidated statements of financial position of the Group as at 31 December 2016 and 2017, the statement of financial position of the Company as at 31 December 2017, and the consolidated statements of profit or loss, 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, for each of the years ended 31 December 2016 and 2017 (the "Relevant Periods"), 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-4 to I-46 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited.

### **DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION**

The directors of the Company are responsible for the 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 1 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 ("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 give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 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, 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016 and 2017, and the Company's financial position as at 31 December 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED 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-4 have been made.

***Dividends***

We refer to Note 24(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its incorporation.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

30 June 2018

## I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

*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 Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

**Consolidated statements of profit or loss**

*Expressed in Renminbi*

|  |             | <u>Year ended 31 December</u> |                   |
|--|-------------|-------------------------------|-------------------|
|  |             | <u>2016</u>                   | <u>2017</u>       |
|  |             | <b>RMB</b>                    | <b>RMB</b>        |
|  | <i>Note</i> |                               |                   |
| Interest income . . . . .                    |             | 39,939,972                    | 58,344,395        |
| Advisory fee income . . . . .                |             | —                             | 2,463,208         |
| <b>Revenue</b> . . . . .                     | 4           | 39,939,972                    | 60,807,603        |
| Other net income . . . . .                   | 5           | 2,668,545                     | 1,897,339         |
| Interest expense . . . . .                   | 6           | (16,169,035)                  | (18,687,530)      |
| Operating expense . . . . .                  |             | (7,521,725)                   | (16,046,698)      |
| Impairment losses charged . . . . .          | 7           | (130,209)                     | (562,086)         |
| <b>Profit before taxation</b> . . . . .      | 8           | 18,787,548                    | 27,408,628        |
| Income tax expense . . . . .                 | 9           | (3,825,760)                   | (6,719,292)       |
| <b>Profit for the year</b> . . . . .         |             | <u>14,961,788</u>             | <u>20,689,336</u> |
| <b>Attributable to:</b>                      |             |                               |                   |
| Equity shareholders of the Company . . . . . |             | <u>14,961,788</u>             | <u>20,689,336</u> |
| <b>Profit for the year</b> . . . . .         |             | <u>14,961,788</u>             | <u>20,689,336</u> |
| Earnings per share                           | 12          |                               |                   |
| Basic and diluted . . . . .                  |             | <u>N/A</u>                    | <u>N/A</u>        |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.



**Consolidated statements of profit or loss and other comprehensive income***Expressed in Renminbi*

|   | <u>Year ended 31 December</u> |                   |
|---|-------------------------------|-------------------|
|   | <u>2016</u>                   | <u>2017</u>       |
|   | <b>RMB</b>                    | <b>RMB</b>        |
| <b>Profit for the year</b> . . . . .  | 14,961,788                    | 20,689,336        |
| <b>Other comprehensive income for the year</b>  |                               |                   |
| <i>Items that may be classified subsequently to profit or loss:</i>   |                               |                   |
| — Exchange differences on translation of financial statements<br>of operations outside the mainland China . . . . . | —                             | (13,015)          |
| <b>Total comprehensive income for the year</b> . . . . .  | <u>14,961,788</u>             | <u>20,676,321</u> |
| <b>Attributable to:</b>   |                               |                   |
| Equity shareholders of the Company . . . . .  | <u>14,961,788</u>             | <u>20,676,321</u> |
| <b>Total comprehensive income for the year</b> . . . . .  | <u>14,961,788</u>             | <u>20,676,321</u> |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.

**Consolidated statements of financial position***Expressed in Renminbi*

|  | Note  | As at 31 December  |                    |
|--|-------|--------------------|--------------------|
|  |       | 2016               | 2017               |
|  |       | RMB                | RMB                |
| <b>Non-current assets</b>                              |       |                    |                    |
| Equipment . . . . .                                    | 13    | 471,870            | 210,042            |
| Intangible assets . . . . .                            | 14    | 319,796            | 278,316            |
| Finance lease receivables . . . . .                    | 16    | 255,891,133        | 258,198,612        |
| Trade and other receivables . . . . .                  | 17    | 1,774,567          | 281,096            |
| Deferred tax assets . . . . .                          | 18(b) | 5,341,413          | 5,544,619          |
|  |       | <u>263,798,779</u> | <u>264,512,685</u> |
| <b>Current assets</b>                                  |       |                    |                    |
| Loans and receivables . . . . .                        | 19    | 4,400,871          | 18,888,661         |
| Finance lease receivables . . . . .                    | 16    | 172,042,521        | 342,286,604        |
| Trade and other receivables . . . . .                  | 17    | 8,436,642          | 6,332,590          |
| Pledged and restricted deposits . . . . .              | 20    | 2,676,000          | 14,578,395         |
| Cash and cash equivalents . . . . .                    | 21    | 170,543,856        | 11,183,137         |
|  |       | <u>358,099,890</u> | <u>393,269,387</u> |
| <b>Current liabilities</b>                             |       |                    |                    |
| Borrowings . . . . .                                   | 22    | 130,000,000        | 190,000,000        |
| Income tax payable . . . . .                           | 18(a) | 4,811,374          | 6,141,541          |
| Trade and other liabilities . . . . .                  | 23    | 147,505,169        | 81,190,081         |
|  |       | <u>282,316,543</u> | <u>277,331,622</u> |
| <b>Net current assets</b> . . . . .                    |       | <u>75,783,347</u>  | <u>115,937,765</u> |
| <b>Total assets less current liabilities</b> . . . . . |       | <u>339,582,126</u> | <u>380,450,450</u> |
| <b>Non-current liabilities</b>                         |       |                    |                    |
| Borrowings . . . . .                                   | 22    | 150,000,000        | 150,000,000        |
| Trade and other liabilities . . . . .                  | 23    | 29,108,125         | 47,978,890         |
|  |       | <u>179,108,125</u> | <u>197,978,890</u> |
| <b>Net assets</b> . . . . .                            |       | <u>160,474,001</u> | <u>182,471,560</u> |
| <b>Capital and reserves</b> . . . . .                  |       |                    |                    |
| Share capital . . . . .                                | 24    | 132,000,000        | 169                |
| Share premium . . . . .                                |       | —                  | 176,074,003        |
| Reserves . . . . .                                     |       | 28,474,001         | 6,397,388          |
| <b>Total equity</b> . . . . .                          |       | <u>160,474,001</u> | <u>182,471,560</u> |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.

## Statements of financial position of the Company

Expressed in Renminbi

|  | <i>Note</i> | As at<br>31 December<br><u>2017</u><br>RMB |
|--|-------------|--|
| <b>Non-current assets</b>                              |             |  |
| Interests in subsidiaries . . . . .                    | 15          | 173,267,927                                |
| <b>Current assets</b>                                  |             |  |
| Trade and other receivables . . . . .                  |             | 601,019                                    |
| Cash and cash equivalents . . . . .                    | 21          | 292,780                                    |
|  |             | 893,799                                    |
| <b>Current liabilities</b>                             |             |  |
| Trade and other liabilities . . . . .                  | 23          | 292,652                                    |
| <b>Net current assets</b> . . . . .                    |             | 601,147                                    |
| <b>Total assets less current liabilities</b> . . . . . |             | 173,869,074                                |
| <b>NET ASSETS</b> . . . . .                            |             | 173,869,074                                |
| <b>CAPITAL AND RESERVES</b>                            |             |  |
| Share capital . . . . .                                | 24          | 169  |
| Share premium . . . . .                                |             | 176,074,003                                |
| Reserves . . . . .                                     |             | (2,205,098)                                |
| <b>TOTAL EQUITY</b> . . . . .                          |             | 173,869,074                                |

The accompanying notes on pages I-11 to I-46 form part of the Historical Financial Information.

## Consolidated statements of changes in equity

Expressed in Renminbi

|      |   | Equity attributable to equity shareholders of the Company |                    |                    |                  |                   |                   |                    |
|------|---|---|--------------------|--------------------|------------------|-------------------|-------------------|--------------------|
|      |   | Share capital   | Share premium      | Capital reserve    | Surplus reserve  | Exchange reserve  | Retained profits  | Total equity       |
|      |   | (Note 24(b))  | (Note 24(c))       | (Note 24(d)(i))    | (Note 24(d)(ii)) | (Note 24(d)(iii)) |                   |                    |
| Note |   | RMB   | RMB                | RMB                | RMB              | RMB               | RMB               | RMB                |
|      | <b>At 1 January 2016</b> . . . . .                      | 89,799,712  | —                  | 11,919,046         | 1,863,309        | —                 | 41,930,146        | 145,512,213        |
|      | <b>Changes in equity for 2016:</b>                      |   |                    |                    |                  |                   |                   |                    |
|      | Total comprehensive income for the year . . . . .       | —   | —                  | —                  | —                | —                 | 14,961,788        | 14,961,788         |
|      | Appropriation to statutory reserve . . . . .            | —   | —                  | —                  | 2,257,347        | —                 | (2,257,347)       | —                  |
|      | Transfer to share capital . . . . . 24(b)(i)            | 42,200,288  | —                  | (11,806,288)       | —                | —                 | (30,394,000)      | —                  |
|      | <b>At 31 December 2016 and 1 January 2017</b> . . . . . | <u>132,000,000</u>  | <u>—</u>           | <u>112,758</u>     | <u>4,120,656</u> | <u>—</u>          | <u>24,240,587</u> | <u>160,474,001</u> |
|      | <b>Changes in equity for 2017:</b>                      |   |                    |                    |                  |                   |                   |                    |
|      | Total comprehensive income for the year . . . . .       | —   | —                  | —                  | —                | (13,015)          | 20,689,336        | 20,676,321         |
|      | Appropriation to statutory reserve . . . . .            | —   | —                  | —                  | 2,151,614        | —                 | (2,151,614)       | —                  |
|      | Transfer to share capital . . . . . 24(b)(i)            | 36,000,000  | —                  | —                  | —                | —                 | (36,000,000)      | —                  |
|      | Arising from Reorganisation . . . . . 24(d)(i)          | <u>(167,999,831)</u>                                      | <u>176,074,003</u> | <u>(6,752,934)</u> | <u>—</u>         | <u>—</u>          | <u>—</u>          | <u>1,321,238</u>   |
|      | <b>At 31 December 2017</b> . . . . .                    | <u>169</u>  | <u>176,074,003</u> | <u>(6,640,176)</u> | <u>6,272,270</u> | <u>(13,015)</u>   | <u>6,778,309</u>  | <u>182,471,560</u> |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.

**Consolidated statements of cash flows***Expressed in Renminbi*

|   | <i>Note</i> | <b>Year ended 31 December</b> |                      |
|---|-------------|-------------------------------|----------------------|
|   |             | <b>2016</b>                   | <b>2017</b>          |
|   |             | <b>RMB</b>                    | <b>RMB</b>           |
| <b>Operating activities</b>   |             |                               |                      |
| Profit before taxation . . . . .  |             | 18,787,548                    | 27,408,628           |
| Adjustments for:  |             |                               |                      |
| Investment income . . . . .   | 5           | (298,681)                     | (207,314)            |
| Interest income from deposits with financial institutions . . . . .     | 5           | (1,239,128)                   | (989,530)            |
| Interest income from loan to a related party . . . . .                  | 5           | (97,000)                      | (430,000)            |
| Interest expense . . . . .  |             | 14,996,678                    | 15,190,467           |
| Impairment losses charged . . . . .                                     | 7           | 130,209                       | 562,086              |
| Depreciation . . . . .  | 8(b)        | 212,848                       | 138,211              |
| Amortisation . . . . .  | 8(b)        | 41,480                        | 41,480               |
| Gains on disposal of equipment . . . . .                                |             | (4,506)                       | (13,603)             |
| <b>Operating profit before changes in working capital . . . . .</b>     |             | <b>32,529,448</b>             | <b>41,700,425</b>    |
| <b>Changes in working capital</b>                                       |             |                               |                      |
| Increase in pledged and restricted deposits . . . . .                   |             | (2,424,000)                   | (11,902,395)         |
| Decrease/(increase) in finance lease receivables . . . . .              |             | 40,171,305                    | (172,628,224)        |
| Increase in loans and receivables . . . . .                             |             | (4,467,889)                   | (14,914,000)         |
| Decrease in trade and other receivables . . . . .                       |             | 17,198,070                    | 1,535,422            |
| Increase/(decrease) in other guaranteed deposits . . . . .              |             | 90,000,000                    | (90,000,000)         |
| (Decrease)/increase in trade and other liabilities . . . . .            |             | (8,974,638)                   | 40,770,416           |
| <b>Cash generated/(used in) from operations . . . . .</b>               |             | <b>164,032,296</b>            | <b>(205,438,356)</b> |
| PRC income taxes paid . . . . .   | 18(a)       | (4,106,063)                   | (5,592,331)          |
| <b>Net cash generated from/(used in) operating activities . . . . .</b> |             | <b>159,926,233</b>            | <b>(211,030,687)</b> |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.

|   | <i>Note</i> | <b>Year ended 31 December</b>    |                                 |
|---|-------------|----------------------------------|---------------------------------|
|   |             | <b>2016</b>                      | <b>2017</b>                     |
|   |             | <b>RMB</b>                       | <b>RMB</b>                      |
| <b>Investing activities</b>   |             |                                  |                                 |
| Interest received from deposits with financial institutions . . . . .             | 5           | 1,239,128                        | 989,530                         |
| Net proceeds from wealth management product and mutual fund investments . . . . . |             | 1,298,681                        | 207,314                         |
| Proceeds from disposal of equipment . . . . .                                     |             | 9,805                            | 173,507                         |
| Payment for purchase of equipment . . . . .                                       |             | (181,064)                        | (36,287)                        |
| Advances to a related party . . . . .   |             | (60,000,000)                     | (55,000,000)                    |
| Repayment from a related party . . . . .  |             | <u>55,000,000</u>                | <u>60,000,000</u>               |
| <b>Net cash (used in)/generated from investing activities . . . . .</b>           |             | <b><u>(2,633,450)</u></b>        | <b><u>6,334,064</u></b>         |
| <b>Financing activities</b>   |             |                                  |                                 |
| Proceeds from borrowings . . . . .  | 21(b)       | 280,000,000                      | 321,000,000                     |
| Repayment of borrowings . . . . .   | 21(b)       | (265,085,239)                    | (261,000,000)                   |
| Payments for listing expenses . . . . .   |             | —                                | (1,761,901)                     |
| Interest paid . . . . .   |             | (14,996,678)                     | (14,128,691)                    |
| Deemed contribution arising from Reorganisation . . . . .                         |             | <u>—</u>                         | <u>1,226,496</u>                |
| <b>Net cash (used in)/generated from financing activities . . . . .</b>           |             | <b><u>(81,917)</u></b>           | <b><u>45,335,904</u></b>        |
| <b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>             |             | <b>157,210,866</b>               | <b>(159,360,719)</b>            |
| <b>Cash and cash equivalents at the beginning of the year . . . . .</b>           |             | <b><u>13,332,990</u></b>         | <b><u>170,543,856</u></b>       |
| <b>Cash and cash equivalents at the end of the year . . . . .</b>                 | 21          | <b><u><u>170,543,856</u></u></b> | <b><u><u>11,183,137</u></u></b> |

The accompanying notes on page I-11 to I-46 form part of the Historical Financial Information.

**II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

*Expressed in Renminbi unless otherwise indicated*

**1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION****1.1 General information**

Byleasing Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 5 June 2017 as an exempted company with limited liability under Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

**1.2 Basis of preparation**

The Company is an investment holding company and has not carried on any business operation since its incorporation. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in providing equipment-based financing solutions, factoring services and value-added advisory services to customers.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Xiamen Baiying Leasing Co., Ltd. (“**Xiamen Byleasing**”) and its subsidiary. To rationalize the corporate structure in preparation of the listing of the Company’s shares on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Group underwent a reorganisation (the “**Reorganisation**”), as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of Xiamen Byleasing.

As the Reorganisation only involved inserting the Company, Byleasing Capital and Septwolves Financial Holding, and did not change the substance of the business and operations of Xiamen Byleasing and its subsidiary, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Xiamen Byleasing treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Xiamen Byleasing with the assets and liabilities of Xiamen Byleasing recognised and measured at their historical carrying amounts prior to the Reorganisation.

Upon Reorganisation, total equity of the Group increased by RMB1,321,238, of which RMB1,226,496 were deemed cash contribution arising from Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

No statutory financial statements have been prepared for Xiamen Byleasing and Baiyun Consulting during the Relevant Periods. As at the date of this report, no statutory financial statements have been prepared for the Company and Byleasing Capital during the Relevant Periods, as they have not carried on any business since the date of incorporation and are investment holding companies. No statutory financial statements have been prepared for Xiamen Byleasing and Baiyun Consulting during the Relevant Periods.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

| Company name  | Place and date of incorporation/ establishment | Particulars of Issued and paid-up capital | Proportion of ownership interest |                        | Principal activities   | Name of statutory auditor |
|---|--|---|----------------------------------|------------------------|--|---------------------------|
|   |  |   | Held by the Company              | Held by the subsidiary |  |                           |
| Byleasing Capital Limited ("Byleasing Capital") . . . . .   | BVI<br>15 June 2017                            | US\$1                                     | 100%                             | —                      | Investment holding   | n/a                       |
| Hong Kong Septwolves Group Financial Holding Co., Limited ("Septwolves Financial Holding") (i) . . . . .            | Hong Kong<br>8 January 2015                    | RMB100,000,000                            | —                                | 100%                   | Investment holding   | Billy Shek & Co.          |
| Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司) ("Xiamen Baiying Leasing") . . . . .                             | People's Republic of China<br>9 March 2010     | RMB168,000,000                            | —                                | 100%                   | Finance leasing  | n/a                       |
| Doilungdèqēn Baiyun Consulting Co., Ltd.* ("Baiyun Consulting") (堆龍德慶百運諮詢有限公司) ("Baiyun Consulting") (ii) . . . . . | People's Republic of China<br>17 July 2014     | RMB100,000                                | —                                | 100%                   | Consultancy related to finance leasing and investment management | n/a                       |

\* The English translation of these entities' names is for reference only. The official names of these entities are in Chinese.

(i) Septwolves Financial Holding became a wholly owned subsidiary of the Group on 27 October 2017.

The statutory financial statements for the period from 8 January 2015 (date of incorporation) to 31 March 2016, and the year ended 31 March 2017, were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

(ii) Baiyun Consulting was subsequently disposed on 16 November 2017.

Except for Septwolves Financial Holding whose financial year end date is 31 March, all the other companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods that are effective for the Relevant Periods and early applied HKFRS 15 on a fully retrospective basis. The Group has not adopted any new standards or interpretations that are not yet effective for the Relevant Periods, except for HKFRS 15. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.



**2 SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of measurement**

The Historical Financial Information is presented in Renminbi (“RMB”). RMB is the functional currency and the reporting currency for the Company’s subsidiaries established in the PRC. The functional currency of the Company is Hong Kong dollars (“HKD”).

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except the financial assets classified at trading securities are stated at their fair value as explained in Note 2(h).

**(b) Use of estimates and judgments**

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

**(c) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity/shareholders holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(h) depending on the nature of the liability.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(d) Goodwill**

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

**(e) Equipment**

Items of equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)).

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

|                            | <u>Estimate useful lives</u> |
|----------------------------|------------------------------|
| Motor vehicles . . . . .   | 4 years                      |
| Office equipment . . . . . | 3–5 years                    |

Where parts of an item of equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) Intangible assets**

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

|                    | <u>Estimate useful lives</u> |
|--------------------|------------------------------|
| Software . . . . . | 10 years                     |

Both the period and method of amortization are reviewed annually and consistent with the amortisation policy of intangible assets allowed under the relevant tax rules.

**(g) Leases**

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

**(i) The Group as lessee under operating leases**

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred are charged to profit or loss for the period. Contingent rentals under operating lease are recognised as expenses in the periods in which they are incurred.

**(ii) The Group as lessor under operating leases**

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

**(iii) The Group as lessor under finance leases**

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivables, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as interest income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

**(h) Financial instruments****(i) Recognition and measurement of financial assets and liabilities**

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value, plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and financial liabilities are categorized as follows:

- Loans and receivables

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

The Group's loans and receivables mainly comprise of finance lease receivables, entrusted loans, factoring receivables, and trade and other receivables.

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deductions for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

- Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

**(ii) Impairment of financial assets**

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the debtor will enter bankruptcy or other financial Reorganisation;
- disappearance of an active market for financial assets because of financial difficulties;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- Trade and other receivables, loans and receivables, finance lease receivables (together "receivables")

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

— Individual assessment

Receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

Cash flows relating to short-term receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized receivables reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

— Collective assessment

Receivables which are assessed collectively for impairment include individually assessed receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of receivables which are not considered individually significant and not assessed individually. Receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the receivable is written off against its provisions for impairment losses upon necessary approval.

**(iii) Fair value measurement**

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

**(iv) Derecognition of financial assets and financial liabilities**

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

*(i) Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

*(j) Trade and other payables*

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

*(k) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

*(l) Impairment of non-financial assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Equipment;
- Intangible assets;
- Goodwill; and
- Investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units (or group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(m) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefit are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to the statement of profit or loss on an accrual basis.

**(n) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(o) Provisions and contingent liabilities**

Provisions are recognized for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

**(p) Revenue recognition**

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an assets with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.



If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of consideration is due.

**(q) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(r) Dividend income**

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

**(s) Government grants**

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

**(t) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The result of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**(u) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

**(v) Related parties**

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

- (i) Has control or joint control over the group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

**(w) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the Relevant Periods, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing finance leasing service which is the basis to allocate resources and assess performance of the Group.

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, the key sources of estimation uncertainty are as follows:

*(a) Impairment of finance lease receivables, loans and receivables and trade and other receivables*

As described in Note 2(h)(ii), finance lease receivables, loans and receivables and trade and other receivables that are measured at amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed or additional impairment charge is required.

*(b) Deferred tax assets*

Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

### 4 REVENUE

The principal activities of the Group are providing equipment based financing solutions, factoring services and value-added advisory services to customers in the PRC.

No segment information is presented as the Group is principally engaged in a single line of business. Revenue represents interest income and advisory fee net of value added taxes and other charges. The amount of each significant category of revenue is as follows:

|                                      | <u>Year ended 31 December</u> |                   |
|--------------------------------------|-------------------------------|-------------------|
|                                      | <u>2016</u>                   | <u>2017</u>       |
|                                      | <b>RMB</b>                    | <b>RMB</b>        |
| <b>Interest income from</b>          |                               |                   |
| Finance leases . . . . .             | 39,356,512                    | 55,714,052        |
| Factoring . . . . .                  | 583,460                       | 623,834           |
| Entrusted loans . . . . .            | —                             | 2,006,509         |
|                                      | <u>39,939,972</u>             | <u>58,344,395</u> |
| <b>Advisory fee income . . . . .</b> | <u>—</u>                      | <u>2,463,208</u>  |
|                                      | <u>39,939,972</u>             | <u>60,807,603</u> |

The Group has one lessee each for the year ended 31 December 2016 and 2017, with whom transactions have exceeded 10% of the Group's aggregate revenues during the Relevant Periods. Such revenue from this major lessees is set out below:

|                | Year ended 31 December |                   |
|----------------|------------------------|-------------------|
|                | 2016                   | 2017              |
|                | RMB                    | RMB               |
| Lessee A ..... | <u>15,861,728</u>      | <u>15,803,036</u> |

## 5 OTHER NET INCOME

|   | Note  | Year ended 31 December |                  |
|---|-------|------------------------|------------------|
|   |       | 2016                   | 2017             |
|   |       | RMB                    | RMB              |
| Investment income from wealth management products .....         |       | 298,681                | 207,314          |
| Interest income from deposits with financial institutions ..... |       | 1,239,128              | 989,530          |
| Government grants .....   | (i)   | 70,000                 | 232,970          |
| Interest income from loan to a related party .....              | 28(c) | 97,000                 | 430,000          |
| Waived payment for leased assets .....                          | (ii)  | 701,930                | —                |
| Others .....  |       | <u>261,806</u>         | <u>37,525</u>    |
|   |       | <u>2,668,545</u>       | <u>1,897,339</u> |

### Notes:

- (i) The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received.
- (ii) The payment obligations to equipment suppliers were exempt due to the default of the equipment suppliers in the underlying finance lease contracts.

## 6 INTEREST EXPENSE

|  | Year ended 31 December |                   |
|--|------------------------|-------------------|
|  | 2016                   | 2017              |
|  | RMB                    | RMB               |
| Borrowings .....   | 14,996,678             | 15,190,467        |
| Imputed interest expense on interest-free guaranteed deposits from lessees ..... | 1,172,357              | 3,497,063         |
|  | <u>16,169,035</u>      | <u>18,687,530</u> |

## 7 IMPAIRMENT LOSSES CHARGED

|                                   | Note  | Year ended 31 December |                |
|-----------------------------------|-------|------------------------|----------------|
|                                   |       | 2016                   | 2017           |
|                                   |       | RMB                    | RMB            |
| Finance lease receivables .....   | 16(b) | 65,918                 | 76,662         |
| Trade and other receivables ..... | 17(a) | (2,727)                | 59,214         |
| Loans and receivables .....       | 19    | <u>67,018</u>          | <u>426,210</u> |
|                                   |       | <u>130,209</u>         | <u>562,086</u> |

**8 PROFIT BEFORE TAXATION**

Profit before taxation is arrived at after charging:

|   | <b>Year ended 31 December</b> |                  |
|---|-------------------------------|------------------|
|   | <b>2016</b>                   | <b>2017</b>      |
|   | <b>RMB</b>                    | <b>RMB</b>       |
| <b>(a) Staff cost</b>   |                               |                  |
| Contributions to defined contribution retirement plan . . . . . | 134,276                       | 164,188          |
| Salaries, wages and other benefits . . . . .                    | 3,498,272                     | 5,795,958        |
| Subtotal . . . . .  | <u>3,632,548</u>              | <u>5,960,146</u> |
| <b>(b) Other items</b>  |                               |                  |
| Depreciation . . . . .  | 212,848                       | 138,211          |
| Amortisation . . . . .  | 41,480                        | 41,480           |
| Auditor's remuneration . . . . .                                | 262,692                       | 108,958          |
| Listing expenses . . . . .                                      | —                             | 5,898,285        |
| Legal expenses . . . . .  | 937,991                       | 106,852          |
| Operating lease charges in respect of properties . . . . .      | <u>884,500</u>                | <u>1,145,880</u> |

**9 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS****(a) Taxation in the consolidated statements of profit or loss:**

|  |              | <b>Year ended 31 December</b> |                  |
|--|--------------|-------------------------------|------------------|
|  |              | <b>2016</b>                   | <b>2017</b>      |
|  |              | <b>RMB</b>                    | <b>RMB</b>       |
| <b>Current tax</b>   | <i>Note</i>  |                               |                  |
| — PRC Enterprise Income Tax ("EIT") Provision for the year . . . . . |              | 3,589,112                     | 6,922,498        |
| <b>Deferred income tax</b>   |              |                               |                  |
| — Origination/(reversal) of temporary differences . . . . .          | <i>18(b)</i> | <u>236,648</u>                | <u>(203,206)</u> |
|  |              | <u>3,825,760</u>              | <u>6,719,292</u> |

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

|  |             | <b>Year ended 31 December</b> |                  |
|--|-------------|-------------------------------|------------------|
|  |             | <b>2016</b>                   | <b>2017</b>      |
|  |             | <b>RMB</b>                    | <b>RMB</b>       |
| Profit before taxation . . . . .   | <i>Note</i> | 18,787,548                    | 27,408,628       |
| Notional tax on profit before taxation, calculated at the rates applicable<br>in the jurisdictions concerned . . . . . |             | 4,696,960                     | 6,943,546        |
| Tax effect of non-deductible expenses . . . . .  | <i>(i)</i>  | 47,238                        | 6,231            |
| Tax effect of non-taxable income . . . . .   | <i>(ii)</i> | (918,438)                     | —                |
| Tax effect of PRC preferential tax treatment . . . . .   | <i>(v)</i>  | —                             | (230,485)        |
| Income tax expense for the year . . . . .  |             | <u>3,825,760</u>              | <u>6,719,292</u> |

Notes:

- (i) Non-deductible expenses consist of entertainment and welfare expenses, which exceed the tax deduction limits in accordance with PRC tax regulations.
- (ii) Non-taxable income for the year 2016 represents the dividends from mutual fund investments.

- (iii) Pursuant to the rules and regulation of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI, respectively.
- (iv) No provision for Hong Kong Profits Tax has been made for the Company and Byleasing Capital as the Company and Byleasing Capital had not derived any income subject to Hong Kong Profits Tax during the year.
- (v) Xiamen Byleasing is subject to PRC EIT at the statutory rate of 25%. According to Measures for the Implementation of Preferential Enterprise Income Tax Policies in Tibet Autonomous Region 《西藏自治區企業所得稅政策實施辦法》 (Zangzhengfa [2014] No. 51, 藏政發[2014]51號), the PRC EIT rate applicable to Baiyun Consulting is 15%. During 1 January 2015 to 31 December 2017, the local portion (40%) of the EIT was exempted, and therefore, the effective EIT rate for Baiyun Consulting during the Relevant Periods is 9%.

## 10 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

|                               | Year ended 31 December 2016 |  |                          |                                       |         |
|-------------------------------|-----------------------------|--|--------------------------|---------------------------------------|---------|
|                               | Fees                        | Salaries,<br>allowances<br>and benefits in<br>kind | Discretionary<br>bonuses | Retirement<br>scheme<br>contributions | Total   |
|                               | RMB                         | RMB  | RMB                      | RMB                                   | RMB     |
| <b>Executive Directors</b>    |                             |  |                          |                                       |         |
| Zhou Shiyuan (周士淵) . . . . .  | —                           | —  | —                        | —                                     | —       |
| Chen Xinwei (陳欣慰) . . . . .   | —                           | —  | —                        | —                                     | —       |
| Huang Dake (黃大柯) . . . . .    | —                           | 302,578  | 109,500                  | 13,685                                | 425,763 |
| <b>Non-executive Director</b> |                             |  |                          |                                       |         |
| Ke Jinding (柯金鏞) . . . . .    | —                           | —  | —                        | —                                     | —       |
| Total . . . . .               | —                           | 302,578  | 109,500                  | 13,685                                | 425,763 |
|                               | Year ended 31 December 2017 |  |                          |                                       |         |
|                               | Fees                        | Salaries,<br>allowances<br>and benefits in<br>kind | Discretionary<br>bonuses | Retirement<br>scheme<br>contributions | Total   |
|                               | RMB                         | RMB  | RMB                      | RMB                                   | RMB     |
| <b>Executive Directors</b>    |                             |  |                          |                                       |         |
| Zhou Shiyuan (周士淵) . . . . .  | —                           | —  | —                        | —                                     | —       |
| Chen Xinwei (陳欣慰) . . . . .   | —                           | —  | —                        | —                                     | —       |
| Huang Dake (黃大柯) . . . . .    | —                           | 429,010  | 120,000                  | 16,760                                | 565,770 |
| <b>Non-executive Director</b> |                             |  |                          |                                       |         |
| Ke Jinding (柯金鏞) . . . . .    | —                           | —  | —                        | —                                     | —       |
| Total . . . . .               | —                           | 429,010  | 120,000                  | 16,760                                | 565,770 |

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 11 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

## 11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there is one director of the Group for each of the years ended 31 December 2016 and 2017 whose emoluments are disclosed in Note 10.

The aggregate of the emoluments in respect of the other individuals for the years ended 31 December 2016 and 2017 are as follows:

|   | Year ended 31 December |                  |
|---|------------------------|------------------|
|   | 2016                   | 2017             |
|   | RMB                    | RMB              |
| Salaries, allowances and benefits in kind . . . . . | 655,892                | 1,028,911        |
| Discretionary bonuses . . . . .                     | 131,346                | 248,583          |
| Retirement scheme contributions . . . . .           | 44,872                 | 57,898           |
| Total . . . . .                                     | <u>832,110</u>         | <u>1,335,392</u> |

The emoluments of the four individuals with the highest emoluments are all within the following band:

|                              | Year ended 31 December |          |
|------------------------------|------------------------|----------|
|                              | 2016                   | 2017     |
| Nil – HKD1,000,000 . . . . . | <u>4</u>               | <u>4</u> |

## 12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation disclosed in Note 1.2 above.

## 13 EQUIPMENT

|   | Motor<br>vehicles | Office<br>equipment | Total            |
|---|-------------------|---------------------|------------------|
|   | RMB               | RMB                 | RMB              |
| <b>Cost</b>                                     |                   |                     |                  |
| As at 1 January 2016 . . . . .                  | 600,297           | 967,098             | 1,567,395        |
| Additions . . . . .                             | 180,072           | 991                 | 181,063          |
| Disposals . . . . .                             | —                 | (105,988)           | (105,988)        |
| As at 31 December 2016/1 January 2017 . . . . . | <u>780,369</u>    | <u>862,101</u>      | <u>1,642,470</u> |
| Additions . . . . .                             | —                 | 36,287              | 36,287           |
| Disposals . . . . .                             | (282,311)         | (10,320)            | (292,631)        |
| As at 31 December 2017 . . . . .                | <u>498,058</u>    | <u>888,068</u>      | <u>1,386,126</u> |
| <b>Accumulated depreciation</b>                 |                   |                     |                  |
| As at 1 January 2016 . . . . .                  | 381,702           | 676,739             | 1,058,441        |
| Charge for the year . . . . .                   | 95,346            | 117,502             | 212,848          |
| Written back on disposals . . . . .             | —                 | (100,689)           | (100,689)        |
| As at 31 December 2016/1 January 2017 . . . . . | <u>477,048</u>    | <u>693,552</u>      | <u>1,170,600</u> |
| Charge for the year . . . . .                   | 52,306            | 85,905              | 138,211          |
| Written back on disposals . . . . .             | (122,923)         | (9,804)             | (132,727)        |
| As at 31 December 2017 . . . . .                | <u>406,431</u>    | <u>769,653</u>      | <u>1,176,084</u> |
| <b>Net carrying amount</b>                      |                   |                     |                  |
| As at 31 December 2016 . . . . .                | <u>303,321</u>    | <u>168,549</u>      | <u>471,870</u>   |
| As at 31 December 2017 . . . . .                | <u>91,627</u>     | <u>118,415</u>      | <u>210,042</u>   |

## 14 INTANGIBLE ASSETS

|                                    | <u>As at 31 December</u> |                |
|------------------------------------|--------------------------|----------------|
|                                    | <u>2016</u>              | <u>2017</u>    |
|                                    | <b>RMB</b>               | <b>RMB</b>     |
| <b>Cost</b>                        |                          |                |
| At beginning of the year . . . . . | 466,564                  | 466,564        |
| Additions . . . . .                | —                        | —              |
| At end of the year . . . . .       | <u>466,564</u>           | <u>466,564</u> |
| <b>Accumulated amortisation</b>    |                          |                |
| At beginning of the year . . . . . | 105,288                  | 146,768        |
| Charge for the year . . . . .      | <u>41,480</u>            | <u>41,480</u>  |
| At end of the year . . . . .       | <u>146,768</u>           | <u>188,248</u> |
| <b>Carrying amount</b>             |                          |                |
| At beginning of the year . . . . . | <u>361,276</u>           | <u>319,796</u> |
| At end of the year . . . . .       | <u>319,796</u>           | <u>278,316</u> |

Intangible assets mainly represent the enterprise system software.

## 15 INTERESTS IN SUBSIDIARIES

*The Company*

|                                      | <i>Note</i> | <u>As at</u>       |
|--------------------------------------|-------------|--------------------|
|                                      |             | <u>31 December</u> |
|                                      |             | <b>RMB</b>         |
| Investment in a subsidiary . . . . . |             | 7                  |
| Loan to a subsidiary . . . . .       | (ii)        | <u>173,267,920</u> |
|                                      |             | <u>173,267,927</u> |

*Notes:*

- (i) Details of subsidiaries as at 31 December 2017 are listed in Note 1.2.
- (ii) Loan to a subsidiary represents the loan to Byleasing Capital to finance the acquisition of Septwolves Financial Holding and Xiamen Byleasing. The loan to a subsidiary is unsecured, interest-free and due within one year. The Company is arranging to transform the loan into an investment in the subsidiary.



## 16 FINANCE LEASE RECEIVABLES

|   | <b>As at 31 December</b> |                    |
|---|--------------------------|--------------------|
|   | <b>2016</b>              | <b>2017</b>        |
|   | <b>RMB</b>               | <b>RMB</b>         |
| Minimum finance lease receivables                           |                          |                    |
| Not later than one year . . . . .                           | 228,205,834              | 427,380,846        |
| Later than one year and not later than five years . . . . . | 295,935,292              | 311,071,228        |
| Gross amount of finance lease receivables . . . . .         | 524,141,126              | 738,452,074        |
| Less: Unearned finance income . . . . .                     | (74,944,279)             | (118,592,804)      |
| Net amount of finance lease receivables . . . . .           | 449,196,847              | 619,859,270        |
| Less: Allowances for impairment losses . . . . .            | (21,263,193)             | (19,374,054)       |
| Carrying amount of finance lease receivables . . . . .      | <u>427,933,654</u>       | <u>600,485,216</u> |
| Present value of minimum finance lease receivables          |                          |                    |
| Not later than one year . . . . .                           | 188,918,284              | 358,467,635        |
| Later than one year and not later than five years . . . . . | 260,278,563              | 261,391,635        |
| Total . . . . .   | <u>449,196,847</u>       | <u>619,859,270</u> |

Analysis for reporting purpose as:

|                              | <b>As at 31 December</b> |                    |
|------------------------------|--------------------------|--------------------|
|                              | <b>2016</b>              | <b>2017</b>        |
|                              | <b>RMB</b>               | <b>RMB</b>         |
| Non-current assets . . . . . | 255,891,133              | 258,198,612        |
| Current assets . . . . .     | 172,042,521              | 342,286,604        |
|                              | <u>427,933,654</u>       | <u>600,485,216</u> |

The finance lease receivables with carrying amount of approximately RMB197,294,063 and RMB198,074,743 were pledged as collaterals for the Group's bank borrowings (see Note 22) as at 31 December 2016 and 2017, respectively.

Finance lease receivables are mainly secured by leased assets which are used in infrastructure, manufacturing, construction and other industries, lessees' deposits and leased assets repurchase arrangement where applicable.

Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential properties, car parks etc. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB24,411,601 was arranged through an entrusted loan with properties as the collateral as at 31 December 2017.

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. 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 2016 and 2017, the lessees' deposits of RMB34,266,908 and RMB50,364,770 were pledged for related finance lease receivables respectively (see Note 23).

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

Finance lease receivables overdue but not impaired related to a number of lessees failing to pay the instalments, but the Group could collect the remaining balance from the suppliers or the agents of the leased assets through guarantee or from the disposal of leased assets.

|  | As at 31 December  |                    |
|--|--------------------|--------------------|
|  | 2016               | 2017               |
|  | RMB                | RMB                |
| Overdue and impaired                   | 32,540,216         | 14,637,449         |
| Overdue but not impaired               |                    |                    |
| — Overdue within 30 days (inclusive)   | 69,983             | 1,241,356          |
| — Overdue 30 to 90 days (inclusive)    | 40,402,639         | 2,965,930          |
| — Overdue above 90 days                | 4,122,791          | 272,705            |
| Neither overdue nor impaired           | 372,061,218        | 600,741,830        |
| Less: Allowances for impairment losses |                    |                    |
| — Collectively assessed                | (7,180,441)        | (7,393,072)        |
| — Individually assessed                | (14,082,752)       | (11,980,982)       |
| At the end of the year                 | <u>427,933,654</u> | <u>600,485,216</u> |

(a) *Finance lease receivables and allowances for impairment losses:*

|  | As at 31 December 2016   |  |                    |
|--|--|--|--------------------|
|  | Finance lease receivables for which allowances are collectively assessed | Finance lease receivables for which allowances are individually assessed | Total              |
|  | RMB  | RMB  | RMB                |
| Net amount of finance lease receivables      | 416,656,631  | 32,540,216   | 449,196,847        |
| Less: Allowances for impairment losses       | (7,180,441)  | (14,082,752)   | (21,263,193)       |
| Carrying amount of finance lease receivables | <u>409,476,190</u>   | <u>18,457,464</u>  | <u>427,933,654</u> |

|  | As at 31 December 2017   |  |                    |
|--|--|--|--------------------|
|  | Finance lease receivables for which allowances are collectively assessed | Finance lease receivables for which allowances are individually assessed | Total              |
|  | RMB  | RMB  | RMB                |
| Net amount of finance lease receivables      | 605,221,820  | 14,637,450   | 619,859,270        |
| Less: Allowances for impairment losses       | (7,393,072)  | (11,980,982)   | (19,374,054)       |
| Carrying amount of finance lease receivables | <u>597,828,748</u>   | <u>2,656,468</u>   | <u>600,485,216</u> |

(b) *Movements of allowances for impairment losses on finance lease receivables during the Relevant Periods are as follows:*

|                              |             | <b>Individual assessment</b> |                   |
|------------------------------|-------------|------------------------------|-------------------|
|                              |             | <b>As at 31 December</b>     |                   |
|                              |             | <b>2016</b>                  | <b>2017</b>       |
|                              |             | <b>RMB</b>                   | <b>RMB</b>        |
|                              | <i>Note</i> |                              |                   |
| At the beginning of the year |             | 13,276,076                   | 14,082,752        |
| Charged/(written back)       |             | 1,883,476                    | (135,969)         |
| Write-offs                   |             | (1,076,800)                  | (1,965,801)       |
| At the end of the year       |             | <u>14,082,752</u>            | <u>11,980,982</u> |
|                              |             | <b>Collective assessment</b> |                   |
|                              |             | <b>As at 31 December</b>     |                   |
|                              |             | <b>2016</b>                  | <b>2017</b>       |
|                              |             | <b>RMB</b>                   | <b>RMB</b>        |
| At the beginning of the year |             | 8,997,999                    | 7,180,441         |
| (Written back)/charged       |             | (1,817,558)                  | 212,631           |
| At the end of the year       |             | <u>7,180,441</u>             | <u>7,393,072</u>  |
|                              |             | <b>Total assessment</b>      |                   |
|                              |             | <b>As at 31 December</b>     |                   |
|                              |             | <b>2016</b>                  | <b>2017</b>       |
|                              |             | <b>RMB</b>                   | <b>RMB</b>        |
| At the beginning of the year |             | 22,274,075                   | 21,263,193        |
| Charged                      | <i>7</i>    | 65,918                       | 76,662            |
| Write-offs                   |             | (1,076,800)                  | (1,965,801)       |
| At the end of the year       |             | <u>21,263,193</u>            | <u>19,374,054</u> |

## 17 TRADE AND OTHER RECEIVABLES

### *The Group*

|  |              | <b>As at 31 December</b> |                  |
|--|--------------|--------------------------|------------------|
|  |              | <b>2016</b>              | <b>2017</b>      |
|  |              | <b>RMB</b>               | <b>RMB</b>       |
|  | <i>Note</i>  |                          |                  |
| <b>Non-current assets</b>                |              |                          |                  |
| Deductible value-added tax               |              | 1,562,012                | 281,096          |
| Other receivables                        |              | 22,990                   | —                |
| Deposits for property                    | <i>28(d)</i> | 189,565                  | —                |
|  |              | <u>1,774,567</u>         | <u>281,096</u>   |
| <b>Current assets</b>                    |              |                          |                  |
| Other receivables                        |              | 709,854                  | 235,175          |
| Less: Allowances for impairment losses   | <i>(a)</i>   | (35,441)                 | (94,655)         |
|  |              | 674,413                  | 140,520          |
| Notes receivable                         |              | —                        | 1,200,000        |
| Prepayment for leased assets             |              | 1,246,813                | 1,220,223        |
| Deductible value-added tax               |              | 1,204,521                | 386,626          |
| Advances to a related party              | <i>28(d)</i> | 5,000,000                | —                |
| Interest receivable from a related party | <i>28(d)</i> | 97,000                   | 527,000          |
| Amount due from shareholders             |              | —                        | 601,019          |
| Prepaid expenses                         |              | 213,895                  | 101,542          |
| Prepaid listing expenses                 |              | —                        | 1,966,095        |
| Deposits for property                    | <i>28(d)</i> | —                        | 189,565          |
|  |              | <u>8,436,642</u>         | <u>6,332,590</u> |
| Total                                    |              | <u>10,211,209</u>        | <u>6,613,686</u> |

*The Company*

|  | <b>As at<br/>31 December<br/>2017</b> |
|--|---------------------------------------|
|  | <b>RMB</b>                            |
| Amount due from shareholders . . . . . | <u>601,019</u>                        |

**(a) Movements of allowances on other receivables during the Relevant Periods are as follows:**

|   | <b>As at 31 December</b> |               |
|---|--------------------------|---------------|
|   | <b>2016</b>              | <b>2017</b>   |
|   | <b>RMB</b>               | <b>RMB</b>    |
| At the beginning of the year . . . . .                                | 38,168                   | 35,441        |
| (Reversal)/allowances for impairment losses during the year . . . . . | <u>(2,727)</u>           | <u>59,214</u> |
| At the end of the year . . . . .                                      | <u>35,441</u>            | <u>94,655</u> |

**18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(a) Income tax payable**

|   | <b>As at 31 December</b> |                    |
|---|--------------------------|--------------------|
|   | <b>2016</b>              | <b>2017</b>        |
|   | <b>RMB</b>               | <b>RMB</b>         |
| At the beginning of the year . . . . .          | 5,328,325                | 4,811,374          |
| Provision for income tax for the year . . . . . | 3,589,112                | 6,922,498          |
| Income tax paid . . . . .                       | <u>(4,106,063)</u>       | <u>(5,592,331)</u> |
| At the end of the year . . . . .                | <u>4,811,374</u>         | <u>6,141,541</u>   |

**(b) The components of deferred tax assets recognized in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:**

|  | <b>Deferred tax<br/>assets arising<br/>from allowances<br/>for impairment<br/>losses</b> |
|--|--|
|  | <b>RMB</b>   |
| 1 January 2016 . . . . .               | 5,578,061  |
| Recognised in profit or loss . . . . . | <u>(236,648)</u>   |
| 31 December 2016 . . . . .             | <u>5,341,413</u>   |
| 1 January 2017 . . . . .               | 5,341,413  |
| Recognised in profit or loss . . . . . | <u>203,206</u>   |
| 31 December 2017 . . . . .             | <u>5,544,619</u>   |

**(c) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10%, (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax.**

The Company controls the dividend policy of the PRC subsidiaries. Based on the assessment made by management, it was determined that undistributed profits of the Company's PRC subsidiaries would not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

## 19 LOANS AND RECEIVABLES

|  | <i>Note</i> | As at 31 December |            |
|--|-------------|-------------------|------------|
|  |             | 2016              | 2017       |
|  |             | RMB               | RMB        |
| Entrusted loans . . . . .                        |             | —                 | 13,500,000 |
| Less: Allowances for impairment losses . . . . . |             | —                 | (405,000)  |
| Sub-total . . . . .                              | (i)         | —                 | 13,095,000 |
| Factoring receivables                            |             |                   |            |
| — With recourse . . . . .                        |             | 4,467,889         | 2,449,859  |
| — Without recourse . . . . .                     |             | —                 | 3,432,030  |
| Less: Allowances for impairment losses . . . . . |             | (67,018)          | (88,228)   |
| Sub-total . . . . .                              | (ii)        | 4,400,871         | 5,793,661  |
| Total . . . . .                                  |             | 4,400,871         | 18,888,661 |

*Notes:*

- (i) Entrusted loans are granted to a third party company incorporated in Xiamen, and are secured by commercial properties as well as a guarantee deposit of RMB1,350,000.

As at 31 December 2017, the entrusted loans were overdue but not impaired, and the allowances for impairment losses were provided on a collective basis. The entrusted loans were fully repaid on 26 January 2018.

- (ii) As at 31 December 2016 and 2017, the factoring receivables were neither overdue nor impaired. The allowances for impairment losses were provided on a collective basis.

- (iii) Movements of allowances for impairment losses on loans and receivables during the Relevant Periods are as follows:

|  | As at 31 December |         |
|--|-------------------|---------|
|  | 2016              | 2017    |
|  | RMB               | RMB     |
| At the beginning of the year . . . . .                     | —                 | 67,018  |
| Allowances for impairment losses during the year . . . . . | 67,018            | 426,210 |
| At the end of the year . . . . .                           | 67,018            | 493,228 |

## 20 PLEDGED AND RESTRICTED DEPOSITS

|  | <i>Note</i> | As at 31 December |            |
|--|-------------|-------------------|------------|
|  |             | 2016              | 2017       |
|  |             | RMB               | RMB        |
| Pledged and restricted deposits . . . . .            |             | 2,676,000         | 14,578,395 |
| — Comprising deposits with a related party . . . . . | 28(d)(i)    | 2,676,000         | —          |

The bank deposits amounting to approximately RMB2,676,000 and RMB14,578,348 were pledged as collateral for the Group's outstanding notes payable (see Note 23) as at 31 December 2016 and 2017, respectively.

## 21 CASH AND CASH EQUIVALENTS

*(a) Cash and cash equivalents comprise:***The Group**

|  | <i>Note</i> | <b>As at 31 December</b> |                   |
|--|-------------|--------------------------|-------------------|
|  |             | <b>2016</b>              | <b>2017</b>       |
|  |             | <b>RMB</b>               | <b>RMB</b>        |
| Cash on hand   |             | 62,488                   | —                 |
| Deposits with banks . . . . .  |             | 1,569,196                | 11,183,137        |
| Deposits with a related party . . . . .                                  | 28(d)(i)    | 168,912,172              | —                 |
| Cash and cash equivalents in the consolidated statements of cash flows . |             | <u>170,543,856</u>       | <u>11,183,137</u> |

**The Company**

|                               | <b>As at</b>       |
|-------------------------------|--------------------|
|                               | <b>31 December</b> |
|                               | <b>2017</b>        |
|                               | <b>RMB</b>         |
| Deposits with banks . . . . . | <u>292,780</u>     |

*Note:*

The Group's main operation in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

- (i) Deposits with a related party represented deposits placed at Fujian Septwolves Group Finance Co., Ltd ("Fujian Septwolves Group Finance"), a non-bank financial institution under the supervision and administration of the China Banking Regulatory Commission. Fujian Septwolves Group Finance was controlled by Fujian Septwolves Group Co., Ltd. The account at Fujian Septwolves Group Finance was closed at 30 June 2017.

*(b) Reconciliation of liabilities arising from financing activities*

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

|  | <b>Bank loans and other borrowings</b> |
|--|--|
|  | <b>RMB</b>                             |
| <b>As at 1 January 2017</b> . . . . .    | 280,000,000                            |
| <b>Changes from financing cash flow:</b> |  |
| Proceeds from borrowings . . . . .       | 321,000,000                            |
| Repayment of borrowings . . . . .        | <u>(261,000,000)</u>                   |
| <b>As at 31 December 2017</b> . . . . .  | <u>340,000,000</u>                     |

## 22 BORROWINGS

|                                    |              | <u>As at 31 December</u> |                    |
|------------------------------------|--------------|--------------------------|--------------------|
|                                    |              | <u>2016</u>              | <u>2017</u>        |
|                                    |              | <b>RMB</b>               | <b>RMB</b>         |
| Bank loans                         | <i>Note</i>  |                          |                    |
| — secured and guaranteed . . . . . | <i>(i)</i>   | 150,000,000              | 150,000,000        |
| — guaranteed . . . . .             | <i>(ii)</i>  | 124,000,000              | —                  |
| — unsecured . . . . .              |              | 6,000,000                | 100,000,000        |
| Other borrowings                   |              |                          |                    |
| — unsecured . . . . .              | <i>(iii)</i> | —                        | 90,000,000         |
|                                    |              | <u>280,000,000</u>       | <u>340,000,000</u> |

Analysis for reporting purpose as:

|                                   |  | <u>As at 31 December</u> |                    |
|-----------------------------------|--|--------------------------|--------------------|
|                                   |  | <u>2016</u>              | <u>2017</u>        |
|                                   |  | <b>RMB</b>               | <b>RMB</b>         |
| Non-current liabilities . . . . . |  | 150,000,000              | 150,000,000        |
| Current liabilities . . . . .     |  | <u>130,000,000</u>       | <u>190,000,000</u> |
|                                   |  | <u>280,000,000</u>       | <u>340,000,000</u> |

## Notes:

- (i) As at 31 December 2016 and 2017, loans amounting to RMB150,000,000 were granted under a factoring agreement with a domestic commercial bank and meanwhile pledged by finance lease receivables (see Note 16).

As at 31 December 2016, these loans were also guaranteed by the Group's related party, Septwolves Holding Group Co., Ltd. ("Septwolves Group Holding"), who released the guarantee in December 2017.

As at 31 December 2017, these loans were additionally secured by a commercial property provided by a third party. The guarantee fee charged by the third party was 1% per annum.

- (ii) As at 31 December 2016, loans amounting to RMB124,000,000 were guaranteed by Septwolves Group Holding.

- (iii) In December 2017, the Group entered into an entrusted loan agreement with a third party, as the borrower. The loan is due by 20 June 2018, with a fixed interest rate of 5.655% per annum.

As at 31 December 2016 and 2017, the borrowings were repayable as follows:

|  |  | <u>As at 31 December</u> |                    |
|--|--|--------------------------|--------------------|
|  |  | <u>2016</u>              | <u>2017</u>        |
|  |  | <b>RMB</b>               | <b>RMB</b>         |
| Within one year . . . . .                  |  | 130,000,000              | 190,000,000        |
| After 1 year but within 2 years . . . . .  |  | —                        | 150,000,000        |
| After 2 years but within 5 years . . . . . |  | <u>150,000,000</u>       | —                  |
|  |  | <u>280,000,000</u>       | <u>340,000,000</u> |

All of the borrowings are with fixed interest rates. The ranges of contractual interest rates on the borrowings are as follows:

|                                   | As at 31 December |             |
|-----------------------------------|-------------------|-------------|
|                                   | 2016              | 2017        |
| Range of interest rates . . . . . | 4.57%–6.24%       | 4.35%–6.00% |

### 23 TRADE AND OTHER LIABILITIES

#### *The Group*

|  | Note  | As at 31 December  |                    |
|--|-------|--------------------|--------------------|
|  |       | 2016               | 2017               |
|  |       | RMB                | RMB                |
| <b>Current liabilities</b>                               |       |                    |                    |
| Guaranteed deposits from lessees . . . . .               |       | 9,148,922          | 12,433,632         |
| Other guaranteed deposit . . . . .                       | (i)   | 90,000,000         | —                  |
| Guaranteed deposits from loans and receivables . . . . . | (ii)  | 446,789            | 1,991,662          |
| VAT payable and other tax payable . . . . .              |       | 15,747,891         | 13,104,825         |
| Accounts payable . . . . .                               | (iii) | 3,892,171          | 359,532            |
| Notes payable . . . . .                                  | 20    | 26,760,000         | 48,595,080         |
| Accrued staff costs . . . . .                            |       | 800,084            | 1,870,109          |
| Receipts in advance . . . . .                            |       | 377,305            | 135,203            |
| Accrued liabilities . . . . .                            |       | 81,097             | 176,500            |
| Interest payable . . . . .                               |       | —                  | 1,061,776          |
| Other payables . . . . .                                 |       | 250,910            | 1,461,762          |
|  |       | <u>147,505,169</u> | <u>81,190,081</u>  |
| <b>Non-current liabilities</b>                           |       |                    |                    |
| Guaranteed deposits from lessees . . . . .               |       | 25,117,986         | 37,931,138         |
| VAT payable . . . . .                                    |       | 3,990,139          | 10,047,752         |
|  |       | <u>29,108,125</u>  | <u>47,978,890</u>  |
| Total . . . . .  |       | <u>176,613,294</u> | <u>129,168,971</u> |

Guaranteed deposits from lessees for reporting purpose:

|                               | As at 31 December |                   |
|-------------------------------|-------------------|-------------------|
|                               | 2016              | 2017              |
|                               | RMB               | RMB               |
| Current portion . . . . .     | 9,148,922         | 12,433,632        |
| Non-current portion . . . . . | 25,117,986        | 37,931,138        |
| Total . . . . .               | <u>34,266,908</u> | <u>50,364,770</u> |

#### *The Company*

|                          | As at<br>31 December<br>2017 |
|--------------------------|------------------------------|
|                          | RMB                          |
| Other payables . . . . . | <u>292,652</u>               |

#### Notes:

- (i) As at 31 December 2016, the other guarantee deposit of RMB90,000,000 was provided by Jinjiang Xuecheng Construction Co., Ltd, a related party, for a proposed factoring transaction. The transaction was canceled in January 2017 and the deposit was released thereafter.
- (ii) As at 31 December 2017, a guarantee deposit of RMB1,350,000 was provided by the borrower under the entrusted loan agreement (see Note 19).
- (iii) As at 31 December 2016 and 2017, all the accounts payable were payable on demand.



## 24 CAPITAL, RESERVES AND DIVIDENDS

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

| The Company                                       | <u>Share capital</u> | <u>Share premium</u> | <u>Exchange reserve</u> | <u>Retained profits</u> | <u>Total equity</u> |
|---|----------------------|----------------------|-------------------------|-------------------------|---------------------|
|   | RMB                  | RMB                  | RMB                     | RMB                     | RMB                 |
|   | 24(b)(i)             | 24(c)                | 24(d)(iii)              |                         |                     |
| At 1 January 2017 . . . . .                       | —                    | —                    | —                       | —                       | —                   |
| <b>Changes in equity for 2017</b>                 |                      |                      |                         |                         |                     |
| Total comprehensive income for the year . . . . . | —                    | —                    | (2,204,890)             | (208)                   | (2,205,098)         |
| Issuance of shares upon Reorganisation . . . . .  | <u>169</u>           | <u>176,074,003</u>   | <u>—</u>                | <u>—</u>                | <u>176,074,172</u>  |
| At 31 December 2017 . . . . .                     | <u>169</u>           | <u>176,074,003</u>   | <u>(2,204,890)</u>      | <u>(208)</u>            | <u>173,869,074</u>  |

(b) *Share capital*(i) **Share capital in the consolidated statements of changes in equity of the Group as at 1 January 2016 and 31 December 2016**

The Reorganisation was not completed as at 31 December 2016. The capital in the consolidated statements of changes in equity as at 1 January 2016 and 31 December 2016 represented the paid-in capital of Xiamen Byleasing.

Xiamen Byleasing, the Group's principal operating subsidiary, was established in Xiamen City of the People's Republic of China on 9 March 2010 with a registered capital of US\$10,000,000 (equivalent to RMB68,269,990). The capital was fully paid up with US\$10,013,744 (equivalent to RMB68,363,816), and the premium of US\$13,744 (equivalent to RMB93,826) was recorded in capital reserve.

On 8 June 2011, Xiamen Byleasing increased its registered and paid-in capital from US\$10,000,000 to US\$12,500,000. The capital was fully paid up with US\$3,840,069 (equivalent to RMB25,000,000) and a premium of US\$1,340,069 (equivalent to RMB8,746,750) was recorded in capital reserve.

On 6 September 2015, the board of directors of Xiamen Byleasing resolved to further increase the registered and paid-in capital of Xiamen Byleasing from US\$12,500,000 to US\$13,333,000. The capital was fully paid up with US\$1,319,000 (equivalent to RMB8,354,942) and a premium of US\$486,000 (equivalent to RMB3,078,470) was recorded in capital reserve.

On 30 April 2016, the board of directors of Xiamen Byleasing resolved to (i) change the currency of the registered capital from US dollar to Renminbi at the exchange rate as of the dates when the capital was paid; (ii) increase the registered and paid-in capital of Xiamen Byleasing from US\$13,333,000 (equivalent to RMB89,799,712) to RMB132,000,000. The increase of RMB42,200,288 in paid-in capital was funded by contribution from capital reserve of RMB11,806,288 and retained profits of RMB30,394,000.

In accordance with the resolution of Xiamen Byleasing's Board Meeting held on 26 October 2017, the shareholders approved a transfer of RMB36,000,000 from retained profits to paid-in capital.

(ii) **Share capital in the statements of changes in equity of the Company and the consolidated statement of changes in equity of the Group as at 31 December 2017**

As set out in Note 1, the Company was incorporated in the Cayman Island on 5 June 2017, with an initial authorized share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. As at 31 December 2017, a total of 20,000 shares were allotted and issued with a total consideration of HK\$208,000,100. As at 31 December 2017, the total share capital of the Group was HK\$200 (equivalent to RMB169).

(c) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and consideration for the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributed to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(d) *Reserves*

(i) **Capital reserve**

As mentioned in Note 24(b)(i), there have been three capital injections for Xiamen Byleasing since its incorporation. The capital reserve as at 1 January 2016 mainly represented the premium in excess of the registered capital.

As at 31 December 2017, the capital reserve arising from Reorganisation represented the difference between the share capital and share premium of the Company and the paid-in capital of Xiamen Byleasing, net of the increase of RMB1,321,238 in the Group's total equity arising from Reorganisation.

(ii) **Surplus reserve**

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders.

(iii) **Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(e) *Dividends*

No dividends were paid to the equity shareholders of companies now comprising the Group during the Relevant Periods.

(f) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the Relevant Periods.

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

*(a) Credit risk*

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from finance leasing business.

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policy of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors and controls the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

Other financial assets of the Group include cash and cash equivalents, accounts receivable and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

Maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

|                                       | <b>As at 31 December</b> |                    |
|---------------------------------------|--------------------------|--------------------|
|                                       | <b>2016</b>              | <b>2017</b>        |
|                                       | <b>RMB</b>               | <b>RMB</b>         |
| <b>Financial assets</b>               |                          |                    |
| Cash and cash equivalents . . . . .   | 170,543,856              | 11,183,137         |
| Pledged deposits . . . . .            | 2,676,000                | 14,578,395         |
| Loans and receivables . . . . .       | 4,400,871                | 18,888,661         |
| Finance lease receivables . . . . .   | 427,933,654              | 600,485,216        |
| Trade and other receivables . . . . . | 6,019,409                | 2,151,740          |
|                                       | <u>611,573,790</u>       | <u>647,287,149</u> |

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2016 and 2017, without taking account of any collateral held or other credit enhancements attached.

**Concentration risk of credit exposure**

An analysis of finance lease receivables by industry is set out below:

|  | <b>As at 31 December</b> |             |                    |             |
|--|--------------------------|-------------|--------------------|-------------|
|  | <b>2016</b>              |             | <b>2017</b>        |             |
|  | <b>RMB</b>               | <b>%</b>    | <b>RMB</b>         | <b>%</b>    |
| Infrastructure . . . . .                                   | 200,753,747              | 45%         | 200,519,048        | 32%         |
| Manufacturing . . . . .                                    | 154,748,164              | 34%         | 121,131,164        | 20%         |
| Services . . . . .   | 41,071,044               | 9%          | 164,041,519        | 27%         |
| Construction . . . . .                                     | 24,251,242               | 5%          | 67,683,359         | 11%         |
| Agriculture, forestry, animal husbandry, fishery . . . . . | 12,467,500               | 3%          | 558,584            | <1%         |
| Wholesale and retailing . . . . .                          | 11,434,010               | 3%          | 58,361,506         | 9%          |
| Others . . . . .   | 4,471,140                | 1%          | 7,564,090          | 1%          |
| Total . . . . .  | <u>449,196,847</u>       | <u>100%</u> | <u>619,859,270</u> | <u>100%</u> |

An analysis of loans and receivable by industry is set out below:

|                                   | As at 31 December |      |            |      |
|-----------------------------------|-------------------|------|------------|------|
|                                   | 2016              |      | 2017       |      |
|                                   | RMB               | %    | RMB        | %    |
| Wholesale and retailing . . . . . | —                 | —    | 13,500,000 | 70%  |
| Manufacturing . . . . .           | 4,467,889         | 100% | 5,881,889  | 30%  |
| Total . . . . .                   | 4,467,889         | 100% | 19,381,889 | 100% |

(b) **Market risk**

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's business. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) **Currency risk**

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors considered the Group's exposure to foreign currency risk is not significant during the Relevant Periods.

(ii) **Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 December 2016 and 2017.

|   | As at 31 December  |                    |
|---|--------------------|--------------------|
|   | 2016               | 2017               |
|   | RMB                | RMB                |
| <b>Fixed rate financial instruments</b> |                    |                    |
| <b>Financial assets</b>                 |                    |                    |
| Cash and cash equivalents . . . . .     | 170,543,856        | 11,183,137         |
| Pledged deposits . . . . .              | 2,676,000          | 14,578,395         |
| Loans and receivables . . . . .         | 4,400,871          | 18,888,661         |
| Finance lease receivables . . . . .     | 427,933,654        | 600,485,216        |
|   | <u>605,554,381</u> | <u>645,135,409</u> |
| <b>Financial liabilities</b>            |                    |                    |
| Borrowings . . . . .                    | <u>280,000,000</u> | <u>340,000,000</u> |
| <b>Net exposure</b> . . . . .           | <u>325,554,381</u> | <u>305,135,409</u> |

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of 31 December 2016 and 2017.

|                              | <b>As at 31 December</b> |             |
|------------------------------|--------------------------|-------------|
|                              | <b>2016</b>              | <b>2017</b> |
|                              | <b>RMB</b>               | <b>RMB</b>  |
| Retained profits             |                          |             |
| + 100 basis points . . . . . | 2,441,658                | 2,288,516   |
| – 100 basis points . . . . . | (1,597,211)              | (2,162,928) |

(c) *Liquidity risk*

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of the each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

|   | <b>Indefinite/<br/>Overdue/<br/>On demand</b> | <b>Within<br/>1 month</b> | <b>1 to 3<br/>months</b> | <b>3 months to<br/>1 year</b> | <b>1 to 5<br/>years</b> | <b>Total</b>       |
|---|---|---------------------------|--------------------------|-------------------------------|-------------------------|--------------------|
|   | <b>RMB</b>                                    | <b>RMB</b>                | <b>RMB</b>               | <b>RMB</b>                    | <b>RMB</b>              | <b>RMB</b>         |
| <b>31 December 2016</b>                   |   |                           |                          |                               |                         |                    |
| Cash and cash equivalent . . . . .        | 170,543,856                                   | —                         | —                        | —                             | —                       | 170,543,856        |
| Pledged and restricted deposits . . . . . | 2,676,000                                     | —                         | —                        | —                             | —                       | 2,676,000          |
| Finance lease receivables . . . . .       | 86,492,714                                    | 27,646,394                | 23,021,046               | 91,045,679                    | 295,935,293             | 524,141,126        |
| Loans and receivables . . . . .           | —   | 4,544,656                 | —                        | —                             | —                       | 4,544,656          |
| Trade and other receivables . . . . .     | 829,844                                       | —                         | 5,000,000                | —                             | 189,565                 | 6,019,409          |
| Total financial assets . . . . .          | <u>260,542,414</u>                            | <u>32,191,050</u>         | <u>28,021,046</u>        | <u>91,045,679</u>             | <u>296,124,858</u>      | <u>707,925,047</u> |
| Borrowings . . . . .                      | —   | —                         | 20,957,000               | 115,146,050                   | 167,812,500             | 303,915,550        |
| Trade and other liabilities . . . . .     | 95,297,357                                    | 8,381,792                 | 610,005                  | 26,201,706                    | 29,362,452              | 159,853,312        |
| Total financial liabilities . . . . .     | <u>95,297,357</u>                             | <u>8,381,792</u>          | <u>21,567,005</u>        | <u>141,347,756</u>            | <u>197,174,952</u>      | <u>463,768,862</u> |
| Net exposure . . . . .                    | <u>165,245,057</u>                            | <u>23,809,258</u>         | <u>6,454,041</u>         | <u>(50,302,077)</u>           | <u>98,949,906</u>       | <u>244,156,185</u> |

|   | <b>Indefinite/<br/>Overdue/<br/>On demand</b> | <b>Within 1<br/>month</b> | <b>1 to 3<br/>months</b> | <b>3 months to<br/>1 year</b> | <b>1 to 5<br/>years</b> | <b>Total</b>       |
|---|---|---------------------------|--------------------------|-------------------------------|-------------------------|--------------------|
|   | <b>RMB</b>                                    | <b>RMB</b>                | <b>RMB</b>               | <b>RMB</b>                    | <b>RMB</b>              | <b>RMB</b>         |
| <b>31 December 2017</b>                   |   |                           |                          |                               |                         |                    |
| Cash and cash equivalent . . . . .        | 11,183,137                                    | —                         | —                        | —                             | —                       | 11,183,137         |
| Pledged and restricted deposits . . . . . | 14,578,395                                    | —                         | —                        | —                             | —                       | 14,578,395         |
| Finance lease receivables . . . . .       | 18,076,718                                    | 25,138,097                | 35,902,959               | 348,263,072                   | 311,071,228             | 738,452,074        |
| Loans and receivables . . . . .           | 13,500,000                                    | 2,048,592                 | 2,879,401                | 1,076,549                     | —                       | 19,504,542         |
| Trade and other receivables . . . . .     | 762,175                                       | —                         | 200,000                  | 1,189,565                     | —                       | 2,151,740          |
| Total financial assets . . . . .          | <u>58,100,425</u>                             | <u>27,186,689</u>         | <u>38,982,360</u>        | <u>350,529,186</u>            | <u>311,071,228</u>      | <u>785,869,888</u> |
| Borrowings . . . . .                      | —   | 593,750                   | 1,187,500                | 204,824,536                   | 150,593,750             | 357,199,536        |
| Trade and other liabilities . . . . .     | 4,765,444                                     | 26,400                    | 552,948                  | 58,528,137                    | 51,870,363              | 115,743,292        |
| Total financial liabilities . . . . .     | <u>4,765,444</u>                              | <u>620,150</u>            | <u>1,740,448</u>         | <u>263,352,673</u>            | <u>202,464,113</u>      | <u>472,942,828</u> |
| Net exposure . . . . .                    | <u>53,334,981</u>                             | <u>26,566,539</u>         | <u>37,241,912</u>        | <u>87,176,513</u>             | <u>108,607,115</u>      | <u>312,927,060</u> |

*(d) Fair values*

As at 31 December 2016 and 2017, no financial assets or liabilities were measured at fair values in the Group's consolidated statements of financial position.

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.

**26 COMMITMENTS***(b) Operating lease commitments*

At the end of respective reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|  | <b>As at 31 December</b> |                |
|--|--------------------------|----------------|
|  | <b>2016</b>              | <b>2017</b>    |
|  | <b>RMB</b>               | <b>RMB</b>     |
| Within one year . . . . .                    | 870,000                  | 442,119        |
| After 1 year but less than 5 years . . . . . | 362,500                  | —              |
| Total . . . . .                              | <u>1,232,500</u>         | <u>442,119</u> |

**27 CONTINGENT LIABILITIES**

As at 31 December 2016 and 2017, there were no outstanding legal proceedings against the Group.

**28 MATERIAL RELATED PARTY TRANSACTIONS***(a) Name and relationship with related parties*

| <b>Name of the entities</b>  | <b>Relationship</b>  |
|--|--|
| Mr. Zhou Yongwei (周永偉先生) . . . . .   | One of ultimate controlling shareholders of the Group                  |
| Septwolves Group Holding Co., Ltd.*<br>(七匹狼控股集團股份有限公司)<br>("Septwolves Group Holding") . . . . .               | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |
| Fujian Septwolves Group Finance Co., Ltd.*<br>(福建七匹狼集團財務有限公司)<br>("Fujian Septwolves Group Finance") . . . . . | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |
| Fujian Septwolves Group Co., Ltd.*<br>(福建七匹狼集團有限公司)<br>("Fujian Septwolves Group") . . . . .                   | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |
| Xiamen Septwolves Asset Management Co., Ltd.*<br>(廈門七匹狼資產管理有限公司)<br>("Septwolves Asset Management") . . . . .  | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |
| Xiamen Huakai Fugui Property Management*<br>(廈門花開富貴物業管理有限公司)<br>("Huakai Fugui Property Management") . . . . . | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |
| Fujian Jingong Machinery Co., Ltd.*<br>(福建晉工機械有限公司)<br>("Jingong Machinery") . . . . .                         | A company of which 50% interest held by Ke Jinding                     |
| MARX Capital Limited ("MARX Capital") . . . . .  | One of shareholders of the Group                                       |
| Shengshi Capital Limited ("Shengshi Capital") . . . . .  | One of shareholders of the Group                                       |
| Jinjiang Xuecheng Construction Co., Ltd.*<br>(晉江學城建設有限公司)<br>("Jinjiang Xuecheng") . . . . .                   | A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming |

\* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

*(b) Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 10 and certain of the highest paid employees as disclosed in Note 11, is as follows:

|   | <b>Year ended 31 December</b> |                  |
|---|-------------------------------|------------------|
|   | <b>2016</b>                   | <b>2017</b>      |
|   | <b>RMB</b>                    | <b>RMB</b>       |
| Key management personnel remuneration . . . . . | <u>1,049,139</u>              | <u>1,363,030</u> |

*(c) Related parties transactions*

|  | <b>Year ended 31 December</b> |             |
|--|-------------------------------|-------------|
|  | <b>2016</b>                   | <b>2017</b> |
|  | <b>RMB</b>                    | <b>RMB</b>  |
| <b>Interest income from deposits with financial institutions</b> |                               |             |
| — Fujian Septwolves Group Finance . . . . .                      | 1,202,899                     | 964,912     |
| <b>Payment for leased assets</b>                                 |                               |             |
| — Jingong Machinery . . . . .                                    | 14,400,521                    | 12,463,000  |
| <b>Operating lease income</b>                                    |                               |             |
| — Fujian Septwolves Group Finance . . . . .                      | 102,564                       | 25,641      |
| <b>Interest income</b>   |                               |             |
| — Fujian Septwolves Group . . . . .                              | 97,000                        | 430,000     |
| <b>Rental and property management fee</b>                        |                               |             |
| — Septwolves Asset Management . . . . .                          | 884,500                       | 870,000     |
| — Huakai Fugui Property Management . . . . .                     | 217,656                       | 234,015     |
| — Mr. Zhou Yongwei . . . . .                                     | —                             | 275,880     |
| <b>Advances to a related party</b>                               |                               |             |
| — Fujian Septwolves Group . . . . .                              | 60,000,000                    | 55,000,000  |
| <b>Repayment from a related party</b>                            |                               |             |
| — Fujian Septwolves Group . . . . .                              | 55,000,000                    | 60,000,000  |

*(d) Balance with related parties**(i) Amounts due from related parties*

|  | <u>As at 31 December</u> |             |
|--|--------------------------|-------------|
|  | <u>2016</u>              | <u>2017</u> |
|  | <b>RMB</b>               | <b>RMB</b>  |
| <b>Trade related</b>                                     |                          |             |
| <b>Pledged deposit</b>                                   |                          |             |
| — Fujian Septwolves Group Finance . . . . .              | 2,676,000                | —           |
| <b>Cash and cash equivalents</b>                         |                          |             |
| — Fujian Septwolves Group Finance . . . . .              | 168,912,172              | —           |
| <b>Prepayment for leasing assets</b>                     |                          |             |
| — Jingong Machinery . . . . .                            | 425,001                  | 22,232      |
| <b>Other receivables</b>                                 |                          |             |
| — Fujian Septwolves Group Finance . . . . .              | 190,000                  | —           |
| — Jinjiang Xuecheng . . . . .                            | 44,359                   | —           |
| <b>Non-trade related</b>                                 |                          |             |
| <b>Trade and other receivables</b>                       |                          |             |
| — Fujian Septwolves Group . . . . .                      | 5,000,000                | —           |
| — MARX Capital* . . . . .                                | —                        | 400,568     |
| — Shengshi Capital* . . . . .                            | —                        | 200,451     |
| <b>Interest receivable</b>                               |                          |             |
| — Fujian Septwolves Group* . . . . .                     | 97,000                   | 527,000     |
| <b>Prepayment for rental and property management fee</b> |                          |             |
| — Septwolves Asset Management . . . . .                  | 76,125                   | 81,765      |
| — Huakai Fugui Property Management . . . . .             | 20,300                   | 2,692       |
| <b>Deposit for rental and property management</b>        |                          |             |
| — Septwolves Asset Management . . . . .                  | 152,250                  | 152,250     |
| — Huakai Fugui Property Management . . . . .             | 37,315                   | 37,315      |

\* Trade and other receivables from MARX Capital and Shengshi Capital, and interest receivable from Fujian Septwolves Group were fully repaid subsequent to 31 December 2017.

*(ii) Amounts due to related parties*

|                               | <u>As at 31 December</u> |             |
|-------------------------------|--------------------------|-------------|
|                               | <u>2016</u>              | <u>2017</u> |
|                               | <b>RMB</b>               | <b>RMB</b>  |
| <b>Trade related</b>          |                          |             |
| <b>Accounts payable</b>       |                          |             |
| — Jingong Machinery . . . . . | 90,093                   | 17,991      |
| <b>Guaranteed deposits</b>    |                          |             |
| — Jinjiang Xuecheng . . . . . | 90,000,000               | —           |

*(e) Guarantees provided by related party*

The guarantees provided by related party to the Group as the end of each reporting period were as follows:

|                                    | <u>As at 31 December</u> |             |
|------------------------------------|--------------------------|-------------|
|                                    | <u>2016</u>              | <u>2017</u> |
|                                    | <b>RMB</b>               | <b>RMB</b>  |
| Septwolves Group Holding . . . . . | 274,000,000              | —           |



**29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

At 31 December 2017, the directors consider the immediate and ultimate controlling parties of the Group to be Septwolves Holdings Limited, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming.

**30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2017**

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

|  | <b>Effective for<br/>accounting year<br/>beginning on or after</b> |
|--|--|
| <i>Annual Improvements to<br/>HKFRSs 2014–2016 Cycle</i>   | 1 January 2018   |
| Amendments to HKFRS 2 . . . . . Classification and Measurement of Share-based Payment Transactions                                       | 1 January 2018   |
| Amendments to HKFRS 4 . . . . . Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts                                  | 1 January 2018   |
| Amendments to HKAS 40 . . . . . Transfers of investment property   | 1 January 2018   |
| HKFRS 9 . . . . . Financial Instruments  | 1 January 2018   |
| HK(IFRIC) Interpretation 22 . . . . . Foreign currency transactions and advance consideration  | 1 January 2018   |
| Annual Improvements to<br>HKFRSs 2015–2017 Cycle   | 1 January 2019   |
| Amendments to HKAS 19 . . . . . Plan amendment, curtailment or settlement  | 1 January 2019   |
| Amendments to HKFRS 9 . . . . . Prepayment features with negative compensation   | 1 January 2019   |
| Amendments to HKAS 28 . . . . . Long-term interest in associates and joint ventures  | 1 January 2019   |
| HKFRS 16 . . . . . Leases  | 1 January 2019   |
| HK(IFRIC) Interpretation 23 . . . . . Uncertainty over income tax treatments   | 1 January 2019   |
| Amendments to HKFRS 10<br>and HKAS 28 . . . . . Sale or contribution of assets between an investor and its associate<br>or joint venture | To be determined   |
| HKFRS 17 . . . . . Insurance contracts   | 1 January 2021   |

Further information about those HKFRSs that may significantly affect the consolidated financial statements of the Group is as follows:

**(a) HKFRS 9, Financial instruments**

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial Instruments: Recognition and Measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

**(i) Classification of financial assets and financial liabilities**

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Based on assessments undertaken to 31 December 2017, the adoption of HKFRS 9 has no impact on the classification of the Group's financial assets or financial liabilities on 1 January 2018.

**(ii) Credit losses**

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group will apply the new ECL model to the following items:

- finance lease receivables
- loans and receivables
- trade and other receivables

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For financial lease receivables and loans and receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Allowances for impairment losses of trade and other receivables are measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

The Group will recognise the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Based on assessments undertaken to 31 December 2017, the following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

| <b>Retained earnings</b>  | <b>RMB'000</b>      |
|---|---------------------|
| Recognition of additional expected credit losses on finance lease receivables | 1,796               |
| Related tax   | <u>(449)</u>        |
| Net decrease in retained earnings at 1 January 2018                           | <u><u>1,347</u></u> |

**(b) HKFRS 16, Leases**

As disclosed in Note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group plans to elect to use modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in Note 26, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB442,119 for properties, all of which is payable within one year after the reporting date. Therefore, based on the current operating lease contracts the Group entered into and the assessment undertaken to 31 December 2017, the directors of the Company do not anticipate the adoption of HKFRS16 will significantly affect the financial position and performance of the Group.

On adoption of HKFRS 16, the Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

**31 SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

On 20 June 2018, written resolution of the shareholders of the Company was passed to approve the matters set out below:

- (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of 962,000,000 new shares of HK\$0.01 each;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share option has been granted since the adoption of the scheme. The principle terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Document; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the issue of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$2,024,800 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 202,480,000 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 20 June 2018.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2017. No dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 31 December 2017.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose 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 to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 December 2017 as if the Share Offer had taken place on 31 December 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as at 31 December 2017 or at any future dates.

|  | Consolidated net<br>tangible assets of<br>the Group as at<br>31 December<br>2017 <sup>(1)</sup> | Estimated net<br>proceeds<br>from the<br>Share Offer <sup>(2)</sup> | Unaudited pro<br>forma adjusted<br>consolidated net<br>tangible assets of<br>the Group as at<br>31 December 2017 | Unaudited pro forma adjusted<br>consolidated net tangible assets of<br>the Group per Share <sup>(3)</sup> |      |
|--|---|---|--|---|------|
|  | RMB'000   | RMB'000   | RMB'000  | RMB   | HK\$ |
| Based on the Offer<br>Price of HK\$1.20<br>per Offer Share . . . . | 182,194   | 52,651  | 234,845  | 0.87  | 1.04 |
| Based on the Offer<br>Price of HK\$1.42<br>per Offer Share . . . . | 182,194   | 64,256  | 246,450  | 0.91  | 1.09 |

*Notes:*

- (1) The consolidated net tangible assets of the Group as at 31 December 2017 is arrived at after deducting intangible assets of RMB278,316 from the consolidated net assets of the Group of RMB182,471,560 as at 31 December 2017, as extracted from the Accountants' Report as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$1.20 (being the minimum Offer Price) and HK\$1.42 (being the maximum Offer Price) per Offer Share and the assumption that there are 67,500,000 newly issued Offer Shares in the Share Offer, after deduction of the estimated underwriting commissions and other listing related expenses payable by the Group (excluding listing expenses of approximately RMB5,898,285 that were charged to profit or loss during the year ended 31 December 2017 and taking no account of any Shares which may fall to be issued upon the exercise of Offer Size Adjustment Option). For illustrative purpose, the estimated net proceeds from the Share Offer have been converted from Hong Kong dollar into Renminbi at exchange rate of HK\$1.00 to RMB0.8359, the exchange rate set by the PBOC 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 the rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to the preceding paragraphs and on the basis of 270,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2017, but does not take into account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option. For illustrative purpose, the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Renminbi into Hong Kong dollar at exchange rate of HK\$1.00 to RMB0.8359, the exchange rate set by the PBOC 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 the rate of any other rates at all.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.*



**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF BYLEASING HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Byleasing Holdings Limited (the "Company") and its subsidiaries (collectively 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 net tangible assets as at 31 December 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 30 June 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (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 as at 31 December 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

***Directors' Responsibilities for the Pro Forma Financial Information***

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the 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 ("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.

The 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 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 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 (“HKSAE”) 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 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of 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 events or transactions as at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus.

***Opinion***

In our opinion:

- (a) the 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 pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

30 June 2018



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## APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

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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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 June 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that 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.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 June 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### (a) *Shares*

##### (i) **Classes of shares**

The share capital of the Company consists of ordinary shares.

##### (ii) **Variation of rights of existing shares or classes of shares**

Subject to the 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not

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less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (1) increase its share capital by the creation of new shares;
- (2) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (3) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as our Directors may determine;
- (4) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (5) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

**(v) Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to 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 requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

**(vi) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(vii) Calls on shares and forfeiture of shares**

The Board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(b) Directors**

**(i) Appointment, retirement and removal**

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

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The office of Director shall be vacated if:

- (1) he resigns by notice in writing delivered to the Company;
- (2) he becomes of unsound mind or dies;
- (3) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (4) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (5) he is prohibited from being a Director by law; or
- (6) he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

**(ii) Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the Board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(iii) Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. Our Directors may, however, 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 Companies Law to be exercised or done by the Company in general meeting.

**(iv) 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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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.

**(v) Remuneration**

The ordinary remuneration of our Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be 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 may be either in addition to or in lieu of his remuneration as a Director.

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The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(vi) Compensation or payments for loss of office**

Pursuant to the Articles, payments to any 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 our Director is contractually entitled) must be approved by the Company in general meeting.

**(vii) Loans and provision of security for loans to Directors**

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

**(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries**

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, 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 thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our Directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or

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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 or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (1) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (2) any contract or arrangement for 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 our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (3) any contract or arrangement concerning an offer of shares or 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 our 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;
- (4) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;  
or
- (5) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

***(c) Proceedings of the Board***

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.



*(d) Alterations to constitutional documents and the Company's name*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

*(e) Meetings of members*

**(i) 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, in the case of such members as 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 in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

**(ii) Voting rights and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on

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behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(iii) Annual general meetings**

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

**(iv) Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (1) the declaration and sanctioning of dividends;
- (2) the consideration and adoption of the accounts and balance sheet and the reports of our Directors and the auditors;
- (3) the election of directors in place of those retiring;

- (4) the appointment of auditors and other officers;
  - (5) the fixing of the remuneration of our Directors and of the auditors;
  - (6) the granting of any mandate or authority to our Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) of the total number of its existing issued shares and any securities repurchased by the Company pursuant to paragraph (7); and
  - (7) the granting of any mandate or authority to our Directors to repurchase securities of the Company.
- (v) 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, but the absence of a quorum shall not preclude the appointment of a chairman.

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.

**(vi) 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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company

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except as conferred by law or authorised by the Board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

### ***(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that Shareholders 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.

The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of 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 or bonuses unclaimed for six years after having been declared may be forfeited by the Board and 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.

***(h) Inspection of corporate records***

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

***(i) Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

***(j) 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:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

***(k) Subscription rights reserve***

The Articles provide that to the extent that it is not prohibited by and is in compliance with the 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3.    CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

*(a)    Company operations*

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is 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.

*(b)    Share capital*

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

*(c)    Financial assistance to purchase shares of a company or its holding company*

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company

consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

*(d) 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.



*(e) Dividends and distributions*

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

*(f) Protection of minorities and shareholders' suits*

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

*(g) Disposal of assets*

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

***(h) Accounting and auditing requirements***

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

***(i) Exchange control***

There are no exchange control regulations or currency restrictions in the Cayman Islands.

***(j) Taxation***

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

***(k) Stamp duty on transfers***

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.

***(l) Loans to directors***

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

***(m) Inspection of corporate records***

Members of the Company have no general right under the Companies Law 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.

***(n) Register of members***

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

***(o) Register of Directors and Officers***

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

***(p) Beneficial Ownership Register***

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

***(q) Winding up***

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

***(r) Reconstructions***

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to

the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

*(s) Take-overs*

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

*(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" in this prospectus. 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.

**FURTHER INFORMATION ABOUT THE COMPANY*****1. Incorporation of the Company***

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 June 2017.

We have established a principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and registered with the Registrar of Companies of Hong Kong as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance on 11 December 2017. Ms. Ng Ka Man (吳嘉雯) of 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as our agent for the acceptance of service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its corporate structure, Memorandum of Association and the Articles of Association are subject to the laws of the Cayman Islands. A summary of our constitution and relevant aspects of the Cayman Companies Law are set out in “Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law” in this Prospectus.

***2. Changes in Share Capital of the Company*****(a) Increase in authorized and issued share capital**

- (i) As of the date of incorporation of the Company on 5 June 2017, its authorized share capital was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each.
- (ii) Pursuant to a resolution passed by the Shareholders referred to in paragraph 3 below and subject to the conditions contained therein, the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 new Shares.

As of the Latest Practicable Date, the Company had an authorized share capital of HK\$10,000,000 divided into 1,000,000,000 Shares. As of the date of this Prospectus, we had an issued share capital of HK\$200 divided into 20,000 Shares, all fully paid or credited as fully paid.

Immediately following the completion of the Capitalization Issue and the Share Offer, but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$2,700,000 divided into 270,000,000 Shares, all fully paid or credited as fully paid, and 730,000,000 Shares will remain unissued.

Other than the exercise of the Offer Size Adjustment Option, the exercise of the general mandate to issue Shares referred to in paragraph 3 below and the exercise of any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorized but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this Appendix and “History, Reorganization and Corporate Structure” in this Prospectus, there has been no alteration in the share capital of the Company since our incorporation.

**(b) Founder shares**

The Company has no founder shares, management shares or deferred shares.

**3. *Written Resolutions of Our Shareholders Passed on 20 June 2018***

Pursuant to the resolutions in writing passed by our Shareholders on 20 June 2018, among other things:

- (a) the Company increased its authorized share capital from HK\$380,000 divided into 38,000,000 Shares to HK\$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 new Shares, and such additional Shares shall rank *pari passu* in all respects with the existing Shares;
- (b) the Company approved and conditionally adopted the Memorandum of Association and the Articles of Association which will become effective from the Listing Date;
- (c) conditional on the Stock Exchange granting the Listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this Prospectus (including any Shares to be issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this Prospectus:
  - (i) the Share Offer, the Offer Size Adjustment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option pursuant to the terms set out in this Prospectus;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “— Share Option Scheme” in this Prospectus, were approved and adopted and our Directors were authorized, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) following the increase in the authorized share capital of the Company as set out in paragraph (a) above and conditional upon the share premium account of the Company being credited as a result of the issue of the Offer Shares by the Company under the Share Offer or otherwise having sufficient balance, our Directors were authorized to allot and issue a total of 202,480,000 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of the Company at close of business on the date of passing the Shareholders’ Resolutions (or as each of them

may direct) in proportion to their then existing shareholdings in the Company (as nearly as possible without involving fractions) by way of capitalization of the sum of HK\$2,024,800 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal in Shares or securities convertible into Shares with a total number of not more than 20.0% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to any exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all the powers of the Company to repurchase on the Stock Exchange, or any other approved stock exchange(s) on which our Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), such number of Shares as will represent up to 10.0% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to any exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (f) the general mandate mentioned in paragraph (d) above be extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of the total number of Shares repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above; provided that such extended amount shall not exceed 10.0% of the total number of Offer Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to any exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

#### **4. Group Reorganization**

The companies comprising our Group underwent a reorganization to rationalize our Group’s structure in preparation for the Listing. For details of the Reorganization, see “History, Reorganization and Corporate Structure” in this Prospectus.



### 5. *Changes in Share Capital of Subsidiaries*

The particulars of our principal subsidiaries are provided in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

For details of the changes in the share capital of our subsidiaries, see "History, Reorganization and Corporate Structure" in this Prospectus. Save as disclosed in "History, Reorganization and Corporate Structure" in this Prospectus, there has been no alterations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this Prospectus.

### 6. *Securities Repurchase Mandate*

This section includes information relating to the repurchase by the Company of the Shares, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

#### **Relevant legal and regulatory requirements**

The GEM Listing Rules permit a company whose primary listing is on GEM to repurchase its securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

##### *(a) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders on 20 June 2018, a general unconditional mandate was given to our Directors to exercise all the powers of the Company to repurchase on the Stock Exchange or on any other stock exchange(s) on which our Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10.0% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to any exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of the Company, or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

##### *(b) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the GEM Listing Rules and 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 from time to time. Subject to the foregoing, such repurchases by the Company may only be made out of the Company's profits or out of the Company's share premium account or out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorized by the Memorandum and the Articles and subject to the Companies Law, out of capital.

Any amount of premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of the profits of the Company or from sums standing to the credit of the Company's share premium account or, if authorized by the Memorandum and the Articles and subject to the provision of the Companies Law, out of capital.

*(c) Reasons for repurchases*

Our Directors believe that it is in the Company's and the Shareholders' best interests for our Directors to have general authority from the Shareholders to enable the Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and the Shareholders.

*(d) Funding of repurchases*

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association, the GEM Listing Rules and applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this Prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this Prospectus. However, 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.

Exercise in full of the current repurchase mandate, on the basis of 270,000,000 Shares in issue immediately following the Listing, would accordingly result in up to 27,000,000 Shares being repurchased by the Company during the Relevant Period.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, currently intends to sell any Shares to the 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 and applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the repurchase mandate immediately after the Listing.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25.0% of our Shares then in issue could only be implemented if the Stock Exchange agrees to waive the GEM Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No connected person, as defined in the GEM Listing Rules, of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

Save as disclosed in "— 2. Changes in Share Capital of the Company" in this Prospectus, no repurchase of Shares has been made by the Company since its incorporation.

## **FURTHER INFORMATION ABOUT OUR BUSINESS**

### **7. *Summary of Material Contracts***




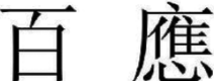
The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or our subsidiaries within the two years preceding the date of this Prospectus and are or may be material:

- (a) the Disposal Agreement;
- (b) the Framework Agreement;
- (c) the Deed of Non-competition;
- (d) the Deed of Indemnity; and
- (e) the Public Offer Underwriting Agreement.

### 8. Intellectual Property Rights

As of the Latest Practicable Date, we had registered the following intellectual property rights which were material in relation to our business.

#### (a) Trademarks

| No. | Trademark   | Place of registration | Class  | Registration number | Registration date | Expiry date     |
|-----|---|-----------------------|--------|---------------------|-------------------|-----------------|
| 1.  |  | PRC                   | 36     | 8517096             | 21 August 2011    | 20 August 2021  |
| 2.  |  | PRC                   | 37     | 8517178             | 7 October 2011    | 6 October 2021  |
| 3.  |  | Hong Kong             | 36, 37 | 304128237           | 4 May 2017        | 3 May 2027      |
| 4.  |  | Hong Kong             | 36, 37 | 304305500           | 18 October 2017   | 17 October 2027 |

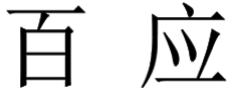
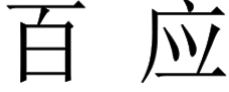
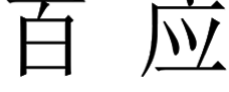
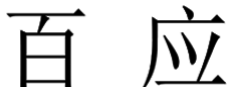
#### (b) Domain names

| Registrant                 | Domain name   | Date of registration | Date of expiry   |
|----------------------------|---------------|----------------------|------------------|
| Xiamen Byleasing . . . . . | byleasing.com | 26 January 2010      | 26 January 2020  |
| Xiamen Byleasing . . . . . | byleasing.cn  | 19 February 2010     | 19 February 2020 |

These websites and their contents do not form part of this Prospectus.

As of the Latest Practicable Date, we had applied for the registration of the following intellectual property rights:

#### (a) Trademarks

| No. | Trademark   | Place of registration | Class | Application number | Application date |
|-----|---|-----------------------|-------|--------------------|------------------|
| 1.  |  | PRC                   | 18    | 26006336           | 22 August 2017   |
| 2.  |  | PRC                   | 23    | 26006350           | 22 August 2017   |
| 3.  |  | PRC                   | 26    | 25996961           | 22 August 2017   |
| 4.  |  | PRC                   | 36    | 25997839           | 22 August 2017   |

| <u>No.</u> | <u>Trademark</u> | <u>Place of registration</u> | <u>Class</u> | <u>Application number</u> | <u>Application date</u> |
|------------|------------------|------------------------------|--------------|---------------------------|-------------------------|
| 5.         | 百 应              | PRC                          | 41           | 26001534                  | 22 August 2017          |
| 6.         | 百 应              | PRC                          | 43           | 25995977                  | 22 August 2017          |

### 9. *Related Party Transactions*

Save as disclosed in “Business,” “Relationship with Controlling Shareholders” and “Financial Information” in this Prospectus and in Note 28 to the Accountants’ Report in Appendix I to this Prospectus, during the two years immediately preceding the date of this Prospectus, the Company has not engaged in any other material related party transactions.

## FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 10. *Directors*

#### (a) **Disclosure of interests of our Directors**

- (i) Each of Mr. Huang Dake and Mr. Ke Jinding is interested in the Reorganization.
- (ii) Save as disclosed in this Prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this Prospectus.

#### (b) **Particulars of Directors’ service contracts**

##### *Executive Directors and non-executive Directors*

Each of our executive Directors and the non-executive Director has entered into a service contract with the Company for a term of three years commencing from 5 June 2017 until terminated by not less than three months’ notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salaries set out below.

The current basic annual remuneration payables by our Group to our executive Directors and non-executive Director are as follows:

| Name                       | Approximate annual remuneration |
|----------------------------|---------------------------------|
|                            | <b>RMB</b>                      |
| Mr. Zhou Shiyuan . . . . . | 0                               |
| Mr. Chen Xinwei . . . . .  | 0                               |
| Mr. Huang Dake . . . . .   | 560,000                         |
| Mr. Ke Jinding . . . . .   | 0                               |

*Independent non-executive Directors*

Each of our independent non-executive Directors has been appointed on 20 June 2018 and such appointment shall continue for an initial term of three years from 20 June 2018 until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to a director's fee of RMB60,000 per annum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(c) Directors remuneration**

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the years ended 31 December 2016 and 2017 were approximately RMB425,763 and RMB565,770, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2018 are expected to be approximately RMB800,000.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2016 and 2017 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2017.

**(d) Interests and short positions of Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations**

Immediately following the completion of the Capitalization Issue and the Share Offer and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 to notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once the Shares are listed, will be as follows:

| <u>Name of Director</u>            | <u>Name of our Group member/associated corporation</u> | <u>Capacity</u>                      | <u>Number and class of securities (L)</u><br><i>(Note 1)</i> | <u>Approximate percentage of shareholding</u> |
|------------------------------------|--|--------------------------------------|--|---|
| Mr. Ke Jinding <sup>(Note 2)</sup> | The Company  | Interest of a controlled corporation | 37,968,750<br>Shares (L)                                     | 14.06%  |
| Mr. Huang Dake <sup>(Note 3)</sup> | The Company  | Interest of a controlled corporation | 22,781,250<br>Shares (L)                                     | 8.44%   |

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares or the shares in the share capital of the relevant associated corporation.
- (2) Zijiang Capital is held as to 40.0%, 40.0% and 20.0% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Mr. Ke Jinding controls 40.0% of the voting rights of Zijiang Capital, and is therefore deemed to be interested in the 37,968,750 Shares held by Zijiang Capital by virtue of the SFO.
- (3) HDK Capital is held as to 100% by Mr. Huang Dake. Mr. Huang Dake controls 100.0% of the voting rights of HDK Capital, and is therefore deemed to be interested in the 22,781,250 Shares held by HDK Capital by virtue of the SFO.

**11. Substantial Shareholders and their Interest Discloseable under the SFO**

So far as is known to our Directors, immediately following the completion of Capitalization Issue and the Share Offer (without taking into account any Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the

Company's register required to be kept under section 336 of the SFO, or are 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 meeting of any other members of our Group:

| <u>Name of Shareholder</u>                       | <u>Capacity/Nature of interest</u>   | <u>Number and class of securities (L)<sup>(Note 1)</sup></u> | <u>Approximate percentage of shareholding</u> |
|--|--------------------------------------|--|---|
| Septwolves Holdings . . . . .                    | Beneficial owner                     | 118,968,750<br>Shares (L)                                    | 44.06%  |
| Mr. Zhou Yongwei <sup>(Note 2)</sup> . . . . .   | Interest of a controlled corporation | 118,968,750<br>Shares (L)                                    | 44.06%  |
| Zijiang Capital . . . . .                        | Beneficial owner                     | 37,968,750<br>Shares (L)                                     | 14.06%  |
| Mr. Ke Shuiyuan <sup>(Note 3)</sup> . . . . .    | Interest of a controlled corporation | 37,968,750<br>Shares (L)                                     | 14.06%  |
| HDK Capital <sup>(Note 4)</sup> . . . . .        | Beneficial owner                     | 22,781,250<br>Shares (L)                                     | 8.44%   |
| Shengshi Capital . . . . .                       | Beneficial owner                     | 15,187,500<br>Shares (L)                                     | 5.63%   |
| Mr. Huang Qinggang <sup>(Note 5)</sup> . . . . . | Interest of a controlled corporation | 15,187,500<br>Shares (L)                                     | 5.63%   |

*Notes:*

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) Septwolves Holdings is held as to 37.06%, 31.47% and 31.47% by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. Mr. Zhou Yongwei controls 37.06% of the voting rights of Septwolves Holdings, and therefore is deemed to be interested in Septwolves Holdings' interest in the Company by virtue of the SFO.
- (3) Zijiang Capital is held as to 40.0%, 40.0% and 20.0% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Each of Mr. Ke Shuiyuan and Mr. Ke Jinding controls 40.0% of the voting rights of Zijiang Capital, and is therefore deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.
- (4) HDK Capital is held as to 100% by Mr. Huang Dake.
- (5) Shengshi Capital is held as to 80.0% by Mr. Huang Qinggang and 20.0% by Ms. Huang Baoyue. Mr. Huang Qinggang controls 80.0% of the voting rights of Shengshi Capital, and is therefore deemed to be interest in Shengshi Capital's interest in the Company by virtue of the SFO.



**12. Disclaimers**

Save as disclosed in this Prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following the completion of the Capitalization Issue and the Share Offer will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, either directly or indirectly, be 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 any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is 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 to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in “— Other Information — 20. Qualification of Experts” in this Prospectus has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or are proposed to be acquired or disposed of by or leased to the Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in “— Other Information — 20. Qualification of Experts” in this Prospectus is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in “— Other Information — 20. Qualification of Experts” in this Prospectus:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of all the Shareholders passed on 20 June 2018 and adopted by a resolution of our Board on 20 June 2018. The terms of the Share Option Scheme are in accordance with the provisions under the GEM Listing Rules. As of the Latest Practicable Date, no option had been granted pursuant to the Share Option Scheme.

***(a) Purpose of the Share Option Scheme and eligibility***

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option (as defined below) to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

***(b) Conditions of the Share Option Scheme***

The Share Option Scheme shall come into effect on the Listing Date subject to the following conditions having been fulfilled:

- (i) the approval of the Shareholders of the Company for the adoption of the Share Option Scheme and authorization be given to our Directors to grant Options to subscribe for Shares and to allot, issue and deal with Shares under the Share Option Scheme;
- (ii) the approval of the Stock Exchange for the Listing of and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements, if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the conditions referred to the above are not satisfied within six calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith determine;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by the Company.

*(c) Administration*

Subject to the fulfillment of the conditions and the termination provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on its adoption date (“**Adoption Date**”). Upon the expiry of the Share Option Scheme, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

*(d) Who may join*

The Board may, at its absolute discretion, offer options (the “**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the “**Executive**”);
- (ii) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;
- (iii) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (iv) a direct or indirect shareholder of any member of our Group;
- (v) a supplier of goods or services to any member of our Group;
- (vi) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (vii) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (viii) an associate (as defined in the GEM Listing Rules) of any of the persons referred to in paragraph (i) to (vii) above.

(the person referred above are the “**Eligible Persons**”)

(e) *Maximum number of Shares*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (i.e. 27,000,000 Shares) (the “**Scheme Mandate Limit**”) provided that:

- (i) the Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the GEM Listing Rules; and
- (ii) the Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholders containing the details and information required under the GEM Listing Rules.

Notwithstanding paragraph (i) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Shares in issue from time to time.

(f) *Maximum entitlement of each participant*

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates or his associates (if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the GEM Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

The maximum numbers in respect of which Options may be granted shall be adjusted in such manner as the auditors of the Company or independent financial advisor appointed by the Company (the “**Financial Advisor**”) shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of the Company in accordance with paragraph (v) whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the number of our Shares but shall not in any event exceed the limits imposed by the GEM Listing Rules.

**(g) Offer and grant of Options**

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine provided that:

- (i) no Options shall be granted under the Share Option Scheme after the termination of the Share Option Scheme in accordance with paragraph (t);
- (ii) no Options shall be granted if the Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to the Company;
- (iii) no Options shall be granted if the grant would result in a breach by the Company or our Directors of relevant laws or regulations (including those relating to securities); and
- (iv) any Option, once issued shall not be reissued under the Share Option Scheme.

**(h) Granting Options to Connected Persons**

Subject to the terms in the Share Option Scheme, but only insofar as and for so long as the GEM Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a Substantial Shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an Option).

Where any grant of Options to a Substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders, with such person, his associates and all core connected persons of the Company (as defined in the GEM Listing Rules) abstaining from voting in favor of such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a Substantial Shareholder or an independent non-executive Director or any of their respective associates.

If in accordance with the terms of the Share Option Scheme, the Board determines to offer the grant of an Option to an Eligible Person, the Board shall forward to the relevant Eligible Person an offer letter specifying:

- (i) the Eligible Person's name, address and occupation;
- (ii) the offer date;
- (iii) the Acceptance Date (as defined below);
- (iv) the number of Shares in respect of which the Option is offered;
- (v) the subscription price and the manner of payment of the subscription price of the Shares on and in consequence of the exercise of the Option;
- (vi) how the expiry date in relation to that Option is ascertained;
- (vii) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in “— (i) Offer period and number accepted” in this Prospectus;
- (viii) the method of exercise of the Option which shall, unless the Board otherwise determines, as set out in “— (n) Exercise of Option” in this Prospectus; and
- (ix) such other terms and conditions relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the rules and procedures applicable to the Share Option Scheme and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

*(i) Offer period and number accepted*

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate

offer letter comprising acceptance of the offer of the Option in the manner as set out in this paragraph (i). To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

***(j) Restriction on the time of grant of Options***

The Board shall not offer the grant of any Option to any Eligible Person after inside information has come to its knowledge, until such inside information has been announced pursuant to the requirements of the GEM Listing Rules or during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the Company to publish an announcement of its 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 ending on the date of the results announcement.

***(k) Vesting and performance target***

Subject to the provisions of the GEM Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of our Shares to which the Option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the Option can be exercised.

***(l) Amount payable for Options***

The amount payable on acceptance of an Option is HK\$1.0.

***(m) Subscription price***

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date;

- (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the GEM Listing Rules) immediately preceding the offer date; and
- (iii) the nominal value of the Share on the offer date.

**(n) Exercise of Option**

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the period, in respect of an Option, commencing immediately after the business day (as defined in the GEM Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the Option as our Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme (the "**Expiry Date**") (the "**Option Period**") in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from the Financial Advisor pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the number of Shares which may fall to be issued by the Company.
- (iii) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the Option Period, provided that:
  - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
  - (b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;



- (c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or on the grounds that he has been guilty of serious misconduct or other culpable reason (“**Culpable Termination**”), his Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, his Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive’s Option has lapsed pursuant to this paragraph (n)(iii)(e) shall be final and conclusive;
- (f) if a grantee being:
  - (i) an executive Director ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or
  - (ii) a non-executive Director ceases to be a Director:
    - (1) by reason of retiring pursuant to the Articles and who notifies the Company that he is not offering himself for re-election at the Company’s annual general meeting (“**Non-Executive Director Retirement**”), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or

- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(g) if:

- (i) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
- (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

his Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (g) shall be final and conclusive;

(h) if a grantee (being a corporation):

- (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
- (ii) has suspended, ceased or threatened to suspend or cease business; or
- (iii) is unable to pay its debts; or
- (iv) otherwise becomes insolvent; or
- (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of our Board is material; or
- (vi) commits a breach of any contract entered into between the grantee or its associate and any member of our Group,

its Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by the Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by the Company of

the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a grantee (being an individual):
  - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or
  - (ii) has made any arrangement or composition with his creditors generally; or
  - (iii) has been convicted of any criminal offense involving his integrity or honesty; or
  - (iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

his Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (i) for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise his Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;
- (k) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches

notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

- (i) the Option Period;
- (ii) the period of two months from the date of such notice; or
- (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (k), all Options outstanding at the expiry of the relevant period referred to in this paragraph (k) shall lapse. The Company may thereafter require each grantee to transfer or otherwise deal with our Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

- (l) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**(o) Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

**(p) Duration**

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

**(q) Lapse of Share Option Scheme**

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the period referred to in paragraph (n)(iii) above;
- (iii) subject to paragraph (n)(iii)(l), the date of the commencement of the winding-up of the Company;
- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph (n)(iii)(h) or (q)(iv); or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

**(r) Reorganization of capital structure**

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the number of Shares, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the maximum number of Shares subject to the Share Option Scheme; and/or
- (ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (iii) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the Financial Advisor shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (i) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (ii) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 23 of the GEM Listing Rules and supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time; and
- (iii) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the Financial Advisor in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on the Company and the grantees in the absence of manifest error. The costs of the Financial Advisor shall be borne by the Company.

If there has been any alteration in the capital structure of the Company as referred to in this paragraph, the Company shall, upon receipt of a notice from the grantee in accordance with paragraph (n)(i) inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made pursuant to the certificate of the Financial Advisor obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the Financial Advisor to issue a certificate in that regard in accordance with this paragraph.

**(s) Cancellation of Options**

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the "Cancellation Date"):

- (i) the grantee commits or permits or attempts to commit or permit a breach of paragraph (u) or any terms or conditions attached to the grant of the Option;
- (ii) the grantee makes a written request to our Board for the Option to be canceled; or
- (iii) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

**(t) Termination**

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

**(u) Transferability**

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

**(v) Alteration**

The Share Option Scheme may be altered in any respect by a resolution of our Board subject to that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the GEM Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 23.03 of the GEM Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by the Board pursuant to paragraph (c) to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid provisions.

**(w) Disputes**

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the Financial Advisor who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

**(x) Miscellaneous**

- (i) The Company shall bear the costs of establishing and administering the Share Option Scheme (including the costs of the Financial Advisor).
- (ii) A grantee shall be entitled to inspect copies of all notices and other documents sent by the Company to its members at the same time or within a reasonable time of such notices or documents being sent, which shall be made available to him during normal office hours at the principal office of the Company in Hong Kong.

- (iii) Any notices, documents or other communication between the Company and a grantee shall be in writing and may be sent by prepaid post or by personal delivery to, in the case of the Company, its principal office in the PRC or in Hong Kong and, in the case of the grantee, his address as notified to the Company from time to time.
- (iv) Any notice or other communication served:
  - (a) by the Company shall be deemed to have been served 24 hours after the same was put in the post or if delivered by hand, when delivered; and
  - (b) by the grantee shall not be deemed to have been received until the same shall have been received by the Company.
- (v) All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in the Cayman Islands or elsewhere and a grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. By accepting an offer or exercising his Option, the grantee thereof is deemed to have represented to the Company that he has obtained all such consents. A grantee shall indemnify the Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which the Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the grantee to obtain any necessary consent or to pay tax or other liabilities referred therein. The Company shall not be responsible for any failure by a grantee to obtain any such consent or for any tax or other liability to which a grantee may become subject as a result of his participation in the Share Option Scheme.
- (vi) A grantee shall pay all taxes and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.
- (vii) The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- (viii) The Share Option Scheme shall not form part of any contract of employment between the Company or any of its subsidiaries and any Executive and the rights and obligations of any Executive under the terms of his office or employment shall not be affected by his participation in it and the Share Option Scheme shall afford such an Executive no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

(y) ***Governing law***

The Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.



**OTHER INFORMATION*****13. Litigation***

As of the Latest Practicable Date, save as disclosed in this Prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

***14. Application for Listing of Shares***

The Sole Sponsor has made an application on behalf of the Company to the Listing Division of the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus and any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

***15. Sole Sponsor***

Neither the Sole Sponsor nor any of its close associates have accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee paid and to be paid to Changjiang Corporate Finance for acting as the sole sponsor of the Listing;
- (b) by way of commission to be paid to Changjiang Securities Brokerage for acting as the Sole Global Coordinator (for itself and on behalf of the Underwriters) to the Share Offer pursuant to the Underwriting Agreements;
- (c) certain close associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of the Company or provide margin financing in connection thereto or purchase or sell securities of the Company or hold securities of the Company for investment purposes after its Listing on GEM; and
- (d) by way of compliance advisory fee to be paid by Changjiang Corporate Finance as the Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sole Sponsor who is involved in providing advice to the Company has or may have, as a result of the Listing, any interest in any class of securities of the Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in the Company or any other companies comprising our Group. The Sole Sponsor is therefore independent from our Group under Rule 6A.07 of the GEM Listing Rules.

**16. Sponsor's fee**

The Sole Sponsor will be paid by the Company a total fee of HK\$4,000,000 to act as the sole sponsor to the Company in connection with the Share Offer.

**17. Agency Fees or Commission Received**

The commission and expenses relating to the Share Offer that are to be borne by the Company are set out in "Underwriting" in this Prospectus.

**18. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the end date of our latest audited financial statements.

**19. Estate Duty, Tax and Other Indemnity****Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

**Stamp Duty**

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5.0 is currently payable on any instrument of transfer of shares.

**Deed of Indemnity**

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (d) referred to in "— Further Information about Our Business — 7. Summary of Material Contracts" in this Prospectus) to provide indemnities on a joint and several basis, in respect of, among other matters, any taxation duty and liability ("**Taxation**"), including:

- (a) any liability to any form of taxation, duty and liability to contribute whenever created or imposed, whether of Hong Kong or of any other part of the world, including without limitation, to the extent applicable, any form of tax, duty, impost, levy, charge, fee,

deduction, withholding, rate or contributions to social insurance and housing provident funds or any amount payable to the revenue, customs or fiscal or other governmental authorities, whether of Hong Kong or any other part of the world;

- (b) all necessary costs, interest, fines, penalties, charges, liabilities and expenses incidental or relating to any liability to Taxation or the deprivation of any relief or of a right to repayment of Taxation which is the subject of the indemnity given by the Indemnifiers pursuant to the terms of the Deed of Indemnity;
- (c) the amounts of any loss, reduction, cancellation or deprivation of any relief, allowance, concession, exemption, set off or deduction in computing profits, income, expenditure or other assessable sum, event or circumstance against which a Taxation is assessed or any right to repayment or credit granted (“**Relief**”), or (if smaller) the amount by which the liability to any such Taxation of a member of our Group would have been reduced by such Relief or repayment if there had been no such loss, reduction, cancellation or deprivation as aforesaid; and

and any claim, counter claim, request, assessment, notice, demand or other documents issued or action or proceedings taken by or on behalf of any person, authority or body (“**Taxation Claim**”), falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction on or before the Listing Date, whether alone or in conjunction with any circumstances whenever occurring and whether or not such Taxation or taxation claim is chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such Taxation or Taxation Claim in the consolidated financial statements of the Company in the Accountants’ Report as set out in Appendix I to this Prospectus or in the audited accounts of the relevant member of our Group for the two financial years ended 31 December 2017;
- (b) to the extent that such Taxation or Taxation Claim or liability which falls on our Group in respect of any accounting period on or after 1 January 2018 and ending on the Listing Date would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; and
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in the Prospectus; or

- (c) to the extent that such Taxation or Taxation Claim arises or is incurred as a result of the imposition of Taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such Taxation or Taxation Claim arises or is increased by an increase in rates of Taxation or Taxation Claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent of any provision or reserve made for Taxation and Taxation Claim in the consolidated financial statements of the Company in the Accountants' Report as set out in Appendix I to this Prospectus or in the audited accounts of the relevant member of our Group for the two financial years ended 31 December 2017, which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of Taxation and Taxation Claim shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of Taxation and Taxation Claim shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries in the Cayman Islands, the BVI and the PRC, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## 20. *Qualification of Experts*

The following are the qualifications of experts who have opined or advised on information contained in this Prospectus:

| <u>Name</u>                            | <u>Qualification</u>  |
|--|---|
| Changjiang Corporate Finance . . . . . | A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO |
| KPMG . . . . .                         | Certified public accountants  |
| Beijing DHH Law Firm . . . . .         | PRC Legal Advisers  |
| Conyers Dill & Pearman . . . . .       | Cayman Islands attorneys-at-law   |
| Frost & Sullivan . . . . .             | Independent industry consultant   |

## 21. *Consents of Experts*

Each of Changjiang Corporate Finance, KPMG, Beijing DHH Law Firm, Conyers Dill & Pearman and Frost & Sullivan has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of our subsidiaries.

## **22. Promoter**

The Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this Prospectus.

## **23. Preliminary Expenses**

The preliminary expenses incurred by the Company were approximately US\$5,460 and were payable or paid by the Company.

## **24. Binding Effect**

This Prospectus shall have the effect, if an application is made in pursuance of this Prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

## **25. Taxation of Shareholders**

### **(a) Hong Kong**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the 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 transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **(c) Consultation with professional advisers**

Intending holders of 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 dealing in Shares or exercising any rights attaching to them. It is emphasized that none of the Company, our Directors or the other persons or parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

**26. Miscellaneous**

- (a) Save as disclosed herein:
  - (i) within two years preceding the date of this Prospectus:
    - (aa) no share or loan capital of the Company or of any of its 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; and
    - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
    - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of its subsidiaries;
  - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Neither the Company nor any of the subsidiaries has issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;
- (c) Save as disclosed in “Underwriting” in this Prospectus, none of the parties listed in “— 21. Consents of Experts” is interested legally or beneficially in any securities of the Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Company or any of our subsidiaries;
- (d) The branch register of members of the Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement;
- (e) There is no arrangement under which future dividends are waived or agreed to be waived;
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) The Company has no outstanding convertible debt securities or debentures;
- (h) Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the end date of our latest audited financial statements; and

- (i) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this Prospectus.

**27. *Bilingual Prospectus***

The English language and Chinese language versions of 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).

**28. *Others***

The English text of this Prospectus shall prevail over the Chinese text.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — 21. Consents of Experts” in this Prospectus, and copies of the material contracts referred to in “Appendix IV — Statutory and General Information — Further Information about Our Business — 7. Summary of Material Contracts” in this Prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the day that is 14 days from the date of this Prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by KPMG, the text of which is set out in Appendix I to this Prospectus;
- (c) the audited consolidated financial statements of our Group for the financial years ended 31 December 2016 and 2017;
- (d) the report on the unaudited pro forma financial information of our Group issued by KPMG, the text of which is set out in “Appendix II — Unaudited Pro Forma Financial Information” in this Prospectus;
- (e) the Cayman Companies Law;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarizing the constitution of the Company and certain aspects of Cayman Companies law as referred to in “Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law” in this Prospectus;
- (g) the legal opinion prepared by Beijing DHH Law Firm, our PRC Legal Advisers in respect of certain aspects of our Group and property interest of our Group in the PRC and summary of PRC laws and regulations relating to our Group;
- (h) the material contracts referred to in “Appendix IV — Statutory and General Information — Further Information about Our Business — 7. Summary of Material Contracts” in this Prospectus;
- (i) the service agreements with each of our Directors referred to in “Appendix IV — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders — 10. Directors — (b) Particulars of Directors’ service contracts” in this Prospectus;



- (j) the written consents referred to in “Appendix IV — Statutory and General Information — Other Information — 21. Consents of Experts” in this Prospectus; and
- (k) the Industry Report as referred to in “Industry Overview” in this Prospectus.



**Byleasing Holdings Limited**  
百應租賃控股有限公司