Byleasing Holdings Limited
百應租賃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

2018 Interim Report

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

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This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"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, the Shares of which are listed on GEM (stock code: 8525)
"Director(s)"	the director(s) of the Company
"Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Fujian Province" or "Fujian"	Fujian Province (福建省), a province located in the southeastern coast of China
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group","we", "us" or "our"	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
"HKAS"	Hong Kong Accounting Standard
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing"	the listing of the Shares on GEM
"Listing Date"	18 July 2018, the day on which the Shares dealings in the Shares first commenced on GEM
"Prospectus"	the prospectus of the Company dated 30 June 2018 in connection with the Hong Kong share offer
"Reporting Period"	the period for the six months ended 30 June 2018
"RMB"	Renminbi, the lawful currency for the time being of the PRC

Definitions

"Septwolves Holdings"	Septwolves Holdings Limited, a company incorporated in BVI with limited liability on 26 May 2017
"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
"Shareholder(s)"	holder(s) of the Share(s)
"Shengshi Capital"	Shengshi Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017
"SMEs"	small and medium-sized 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)
Xiamen Byleasing	Xiamen Baiying Leasing Co., Ltd.,(廈門百應融資租賃有限責任公司) a company established in the PRC with limited liability on 9 March 2010
"Zijiang Capital"	Zijiang Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017

Corporate Information

Directors

Executive Directors

Mr. Zhou Shiyuan *(Chairman)*
Mr. Chen Xinwei
Mr. Huang Dake

Non-executive Director

Mr. Ke Jinding

Independent Non-executive Directors

Mr. Chen Chaolin
Mr. Tu Liandong
Mr. Xie Mianbi

Audit Committee

Mr. Tu Liaindong *(Chairman)*
Mr. Chen Chaolin
Mr. Ke Jinding

Remuneration Committee

Mr. Chen Chaolin *(Chairman)*
Mr. Xie Mianbi
Mr. Huang Dake

Nomination Committee

Mr. Zhou Shiyuan *(Chairman)*
Mr. Tu Liandong
Mr. Xie Mianbi

Joint Company Secretaries

Mr. Deng Huaxin
Ms. Ng Ka Man *(ACS, ACIS)*

Authorised Representatives

Mr. Huang Dake
Ms. Ng Ka Man

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters/Principal Place of Business in the PRC

Unit 1, 30/F
No. 77, Tai Nan Road
Siming District, Xiamen
Fujian Province
PRC

Principal Place of Business in Hong Kong

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Company Website

www.byleasing.com

Stock Code

8525

Auditors and Reporting Accountants

KPMG
Certified Public Accountants

Legal Advisers to Our Company

Stephenson Harwood
(as to Hong Kong laws)
Beijing Yingke Law Firm (Xiamen) Office
(as to PRC laws)

Compliance Adviser

Changjiang Corporate Finance (HK) Limited

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Agricultural Bank of China Dongdu Branch
No. 77 Dongdu Road
Siming District, Xiamen
Fujian Province
PRC

China Everbright Bank
Xiamen Branch
China Everbright Bank Building
No. 81 Hubin South Road
Siming District, Xiamen
Fujian Province
PRC

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Management Discussion and Analysis

Industry Overview

China's finance leasing industry has experienced a rapid growth since 2012. 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. Fujian province has become one of the fastest developing provinces for the finance leasing industry in China. In 2016, 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. A series of favorable policies issued by the government of Fujian province encouraged the development of the finance leasing industry in Fujian province in recent years.

Business Overview

We are a finance leasing company in Fujian province dedicated to providing equipment-based financing solutions to our customers. 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 customers are mainly SMEs, entrepreneurial individuals, and also include reputable large enterprises. We served 118 customers located in 19 provinces in China for the six months ended 30 June 2018.

Our revenue increased from RMB21.6 million for the six months ended 30 June 2017 to RMB40.9 million for the six months ended 30 June 2018. Our profit increased from RMB7.6 million for the six months ended 30 June 2017 to RMB12.5 million for the six months ended 30 June 2018. We will enhance our finance leasing business and take the opportunity of the upgrade and replacement of the manufacturing equipments to promote our operational quality and business growth by promoting the direct lease business. We also plan to strengthen our sales and marketing efforts in major cities of the Yangtze River Delta and Pearl River Delta.

Finance Leasing Services

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. 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. Sale-leaseback is primarily used by our customers to fund their business operations. Through sale-leaseback, our customers sell the assets, of which they have the ownership, to us to finance their working capital and then lease the sold assets back. For the six months ended 30 June 2018, our revenue from finance leasing services was RMB38.4 million, accounting for 93.9% of our total revenue.

Management Discussion and Analysis

The following table sets forth average monthly balance of the interest-generating finance lease receivables and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December 2017
Average monthly balance of interest-generating finance lease receivables (RMB'000)		
– Direct finance leasing	**92,001**	91,068
– Sale-leaseback	**515,048**	371,015
Range of interest rate per annum		
– Direct finance leasing	**11.1%-22.8%**	11.1%-24.8%
– Sale-leaseback	**8.35%-22.8%**	8.35%-29.6%

HKFRS 9 became effective from 1 January 2018. Under the transition methods chosen, we adjusted the opening balance of equity on 1 January 2018 to identify the cumulative impacts of the first application of HKFRS 9. Comparative information is not restated. The following tables set forth the credit quality analysis of our finance lease receivables in accordance with HKFRS 9 as of 30 June 2018 and the credit quality analysis of our finance lease receivables in accordance with HKAS 39 as of 31 December 2017.

	As of 30 June 2018 RMB'000
Neither overdue nor credit-impaired	**593,837**
Overdue but not credit-impaired	
– Overdue within 30 days (inclusive)	**1,440**
– Overdue 30 to 90 days (inclusive)	**18**
– Overdue above 90 days	**–**
Overdue and credit-impaired	**18,120**
Net amount of finance lease receivables	**613,415**
Allowances for impairment losses	**(23,285)**
Carrying amount of finance lease receivables	**590,130**

	As of 31 December 2017 RMB'000
Neither overdue nor impaired	600,742
Overdue but not impaired	
– Overdue within 30 days (inclusive)	1,241
– Overdue 30 to 90 days (inclusive)	2,966
– Overdue above 90 days	273
Overdue and impaired	14,637
Net amount of finance lease receivables	619,859
Allowances for impairment losses	(19,374)
Carrying amount of finance lease receivables	600,485

During the Reporting Period, we extended the maturity term of 15 agreements with 2 lessees. As of 30 June 2018, the finance lease receivables of such 15 extended agreements amounted to RMB7.6 million.

The following tables set forth our loss allowance determined in accordance with HKFRS 9 as of 30 June 2018 and our loss allowance determined in accordance with HKAS 39 as of 31 December 2017:

	As of 30 June 2018			
	12-month ECL RMB'000	**Lifetime ECL not credit-impaired RMB'000**	**Lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
Net amount of finance lease receivables	**580,275**	**15,020**	**18,120**	**613,415**
Allowances for impairment losses	**(9,950)**	**(1,137)**	**(12,198)**	**(23,285)**
Carrying amount of finance lease receivables	**570,325**	**13,883**	**5,922**	**590,130**

	As of 31 December 2017		
	Finance lease receivables for which allowances are collectively assessed RMB'000	Finance lease receivables for which allowances are individually assessed RMB'000	Total RMB'000
Net amount of finance lease receivables	605,222	14,637	619,859
Allowances for impairment losses	(7,393)	(11,981)	(19,374)
Carrying amount of finance lease receivables	597,829	2,656	600,485

We voluntarily put in place a five-category asset quality classification system modified based on, but differs slightly from, the model of the asset quality classification promulgated by China Banking Regulatory Commission (中國銀行業監督管理委員會) as set out in the Prospectus.

The following table sets forth the net amount of our finance lease receivables by our five-category asset quality classification system as of the dates indicated:

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Normal	**579,299**	591,537
Special-mention	**15,995**	13,685
Substandard	**4,046**	–
Doubtful	**5,931**	9,689
Loss	**8,144**	4,948
Finance lease receivables, net	**613,415**	619,859

The net amount of finance lease receivables classified as "substandard" and below increased from RMB14.6 million as of 31 December 2017 to RMB18.1 million as of 30 June 2018. Such increase was due to the increase of net amount of finance lease receivables overdue above 90 days of RMB3.5 million.

Factoring Services

In addition to finance leasing services, we also provided factoring services and value-added advisory services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations. For the six months ended 30 June 2018, our revenue from factoring services was RMB0.1 million, accounting for 0.3% of our total revenue mainly because (i) all the factoring service agreements were settled and value of the total factoring assets is nil; and (ii) no new agreement was engaged. In the future, we will continue to expand our factoring business and we plan to establish commercial factoring company to operate factoring business.

The following table sets forth the average monthly balance of our factoring services and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December 2017
Average monthly balance of loans and receivables[1] (RMB'000)	**970**	24,763
Range of interest rate	**13.2%-15.6%**	6.6%-15.6%

Note:

(1) Our loans and receivables represent our receivables for factoring services, which include factoring receivable and entrusted loans.

Advisory Services

Leveraging our experience in arranging finance leases for our customers, we also 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 six months ended 30 June 2018, our revenue from advisory services was RMB2.4 million, accounting for 5.8% of our total revenue. Such revenue came from one advisory service agreement, which we entered into with one of our customers, involving a construction project, with a total investment of approximately RMB1,142 million. We charged 1% of the project progress payment which our customer received for our advisory services.

Lease Portfolio

Lease Portfolio by Industry

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

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	**%**	RMB'000	%
Infrastructure	**200,330**	**32.7**	200,519	32.4
Manufacturing	**131,600**	**21.4**	121,131	19.5
Services[1]	**152,130**	**24.8**	164,042	26.5
Construction	**61,091**	**10.0**	67,683	10.9
Agriculture, forestry, animal husbandry and fishery	**–**	**–**	559	0.1
Wholesale and retail	**61,812**	**10.1**	58,362	9.4
Others[2]	**6,452**	**1.0**	7,563	1.2
Net amount of finance lease receivables	**613,415**	**100**	619,859	100

Notes:

(1) Include equipment leasing, education, financial and catering services.

(2) Include water, environment and public facilities management, mining, transportation, storage and postal.

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

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	**%**	RMB'000	%
Up to RMB1.0 million	**15,525**	**2.5**	24,236	3.9
Over RMB1.0 million to RMB3.0 million (inclusive)	**31,957**	**5.2**	48,482	7.8
Over RMB3.0 million to RMB5.0 million (inclusive)	**52,952**	**8.6**	38,470	6.2
Over RMB5.0 million to RMB30.0 million (inclusive)	**244,939**	**40.0**	239,206	38.6
Over RMB30.0 million[1]	**268,042**	**43.7**	269,465	43.5
Net amount of finance lease receivables	**613,415**	**100**	619,859	100

Note:

(1) The net amount of finance lease receivables over RMB30.0 million as of 31 December 2017 and 30 June 2018 related to three finance leasing agreements as of each respective period.

Lease Portfolio by Security

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

	As of 30 June 2018		As of 31 December 2017	
	RMB'000	%	RMB'000	%
Guaranteed leases	**354,747**	**57.8**	362,308	58.4
Supplier-backed leases	**24,054**	**4.0**	22,913	3.7
Collateral-backed leases with guarantee	**234,614**	**38.2**	234,638	37.9
Net amount of finance lease receivables	**613,415**	**100**	619,859	100

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2018:

Key requirements	**Compliance status**
A foreign-funded finance leasing company shall not provide in any form of direct or indirect financing for local governments' financing platform companies that undertake public welfare duties.	Our Group complied with such requirement for the six months ended 30 June 2018.
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.	Our Group complied with such requirement for the six months ended 30 June 2018.
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%.	Our Group complied with such requirement for the six months ended 30 June 2018.
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.	Our Group complied with such requirement for the six months ended 30 June 2018.
The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.	Our Group complied with such requirement for the six months ended 30 June 2018.
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.	Our Group complied with such requirement for the six months ended 30 June 2018.
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.	Our Group complied with such requirement for the six months ended 30 June 2018.

Key requirements	Compliance status
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. 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.	Our Group complied with such requirement for the six months ended 30 June 2018.
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.	Our Group complied with such applicable requirement for the six months ended 30 June 2018.
Risk assets of a finance leasing company shall not exceed ten times of its total net assets.	Our Group complied with such requirement for the six months ended 30 June 2018

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income and advisory fee income. During the Reporting 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. The following table sets forth our revenue by service type for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest Income:		
Finance leasing services		
– Direct finance leasing	**6,778**	5,562
– Sale-leaseback	**31,634**	15,143
Factoring services[(1)]	**129**	620
Advisory Fee Income:		
Advisory services	**2,374**	234
Total	**40,915**	21,559

Note:

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

Our revenue significantly increased from RMB21.6 million for the six months ended 30 June 2017 to RMB40.9 million for the six months ended 30 June 2018 mainly due to an increase in finance leasing income of RMB17.7 million as a result of the expansion of our finance business since July 2017 which is in line with our increased net amount of finance lease receivables.

For the six months ended 30 June 2018, we had a series of transactions, amounted to RMB7.8 million from Customer A and RMB4.3 million from Customer B, which in aggregate accounted for more than 10% of our total revenue. Customer A is a large enterprise principally engaged in planning, construction, management and maintenance of street lights. Customer B is a SME principally engaged in housing construction and municipal roads, tunnels, bridges and buildings construction.

Other net income

Our other net income mainly consists of interest income from deposits with financial institutions and investment income from wealth management products.

Our other net income decreased from RMB1.5 million for the six months ended 30 June 2017 to RMB0.6 million for the six months ended 30 June 2018 primarily because (i) no loans had been provided for the related parties during the Reporting Period; and (ii) the decrease of interest income of RMB0.9 million for the same period, partially offset by the income from wealth management of RMB0.4 million.

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 gearing ratio decreased from 1.9 times as of 31 December 2017 to 1.7 times as of 30 June 2018 due to the increase of total equity. The gearing ratio is a measure of financial leverage. It represents total interest-bearing borrowings divided by total equity as of 30 June 2018.

Our interest expenses increased from RMB8.1 million for the six months ended 30 June 2017 to RMB12.9 million for the six months ended 30 June 2018 mainly due to (i) the increase in the interest rate of bank; and (ii) the increase in monthly loan balance. The increase in our interest expenses was generally in line with the increase in our interest income during the Reporting Period.

Operating expenses

Our operating expenses consist primarily of staff cost, legal expenses and operating lease charges in respect of properties. The table below sets forth the components of our operating expenses by nature for the periods indicated:

	For the six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000
Staff cost	**3,073**	2,332
Legal expenses	**77**	107
Operating lease charges in respect of properties	**485**	435
Business travel and transportation expenses	**230**	235
Depreciation and amortization	**57**	193
Property management expenses	**98**	98
Listing expenses	**5,938**	2,024
Sundry expenses	**721**	524
Total operating expenses	**10,679**	5,948

Our operating expenses increased significantly from RMB5.9 million for the six months ended 30 June 2017 to RMB10.7 million for the six months ended 30 June 2018 mainly due to (i) an increase in non-recurring listing expenses of RMB3.9 million; and (ii) the increase in staff cost of RMB0.7 million.

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 our total impairment losses charged or written back by asset type for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance lease receivables	**2,035**	(1,535)
Trade and other receivables	**(21)**	34
Loans and receivables	**(493)**	408
Total impairment losses charged/(written back)	**1,521**	(1,093)

Our impairment losses charged increased significantly primarily because of an increase in impairment losses on finance lease receivables of RMB3.6 million as a result of the increase of provision after we applied HKFRS 9 since 1 January 2018.

Income tax expense

Our income tax expense increased significantly from RMB2.6 million for the six months ended 30 June 2017 to RMB3.9 million for the six months ended 30 June 2018 primarily because of the increase in profit before tax of RMB6.3 million.

The Directors confirm that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Profit for the period

Our profit increased from RMB7.6 million for the six months ended 30 June 2017 to RMB12.5 million for the six months ended 30 June 2018 mainly because our revenue increased from RMB21.6 million for the six months ended 2017 to RMB40.9 million for the six months ended 30 June 2018. Our net profit margin decreased from 35.0% to 30.6% during the same period mainly due to the increase of the accrued impairment losses charged.

Liquidity and Capital Resources

The Shares were listed on GEM of the Exchange on the Listing Date (the "Share Offer") with net proceeds from the Share Offer of approximately HK$60.8 million (after deducting underwriting fees and commission, and other expenses in connection with the Share Offer).

We primarily funded 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.

Management Discussion and Analysis

Cash flows

The following table sets forth a selected summary of our cash flow statement for the periods indicated:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents at beginning of the period	**11,183**	170,544
Net cash flows generated from/(used in) operating activities	**17,469**	(119,959)
Net cash flows generated from investing activities	**1,045**	6,220
Net cash flows used in financing activities	**(18,291)**	(5,444)
Net increase/(decrease) in cash and cash equivalents	**223**	(119,183)
Effect of foreign exchange rate change	**84**	–
Cash and cash equivalents at the end of the period	**11,490**	51,361

Net cash flows generated from/(used in) operating activities

For the six months ended 30 June 2018, we had net cash generated from operating activities of RMB17.5 million, principally as a result of operating profit before changes in working capital of RMB27.3 million and the negative effect of the changes in working capital, which consist of (i) the decrease in pledge and restricted deposits of RMB14.0 million; (ii) the settlement of factoring business of RMB19.3 million; (iii) the payment of matured notes of RMB46.6 million; (iv) the net cash inflows from finance leasing business of RMB6.5 million; and (v) the settlement of matured notes receivable of RMB1.2 million.

Net cash flows generated from investing activities

Our cash flows generated from investing activities mainly consist of repayment from a related party, net proceeds from wealth management products and interest received from deposits with financial institutions.

For the six months ended 30 June 2018, our net cash generated from investing activities was RMB1.0 million. Our net cash inflow from investing activities mainly consisted of repayment from a related party of RMB0.5 million and net proceeds from wealth management products, partially offset by payment for purchase of equipment of RMB0.04 million.

Net cash flows used in financing activities

For the six months ended 30 June 2018, our net cash flows used in financing activities was RMB18.3 million. Our net cash flows used in financing activities consisted of: (i) payment of borrowing of RMB90.0 million; (ii) interest paid of RMB8.5 million; and (iii) payments for listing expenses of RMB0.4 million, which was offset by: (i) proceeds from bank borrowings of RMB80.0 million; and (ii) deemed contribution arising from reorganisation of RMB0.6 million.

Management Discussion and Analysis

Selected items of the statements of financial position

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Non-current assets		
Finance lease receivables	**260,564**	258,199
Trade and other receivables	**–**	281
Equipment	**220**	210
Intangible assets	**258**	278
Deferred tax assets	**6,433**	5,545
Total non-current assets	**267,475**	264,513
Current assets		
Finance lease receivables	**329,566**	342,287
Cash and cash equivalents	**11,490**	11,183
Trade and other receivables	**4,432**	6,333
Loans and receivables	**–**	18,889
Pledged and restricted deposits	**600**	14,578
Total current assets	**346,088**	393,270
Current liabilities		
Borrowings	**330,000**	190,000
Trade and other liabilities	**39,371**	81,190
Income tax payable	**1,527**	6,142
Total current liabilities	**370,898**	277,332
Net current (liabilities)/assets	**(24,810)**	115,938
Non-current liabilities		
Borrowings	**–**	150,000
Trade and other liabilities	**48,940**	47,979
Total non-current liabilities	**48,940**	197,979
Net assets	**193,725**	182,472

Our net current assets significant decreased mainly due to the increase of our total current liabilities. Our total current liabilities increased from RMB277.3 million as of 31 December 2017 to RMB370.9 million as of 30 June 2018 primarily due to the maturity of the long-term bank borrowings of RMB150.0 million within one year as of 30 June 2018. Our net assets increased from RMB182.5 million as of 31 December 2017 to RMB193.7 million as of 30 June 2018.

Net amount of finance lease receivables

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

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Direct finance leasing	**94,339**	110,163
Sale-leaseback	**519,076**	509,696
Net amount of finance lease receivables	**613,415**	619,859

The net amount of our finance lease receivables decreased from RMB619.9 million as of 31 December 2017 to RMB613.4 million as of 30 June 2018 mainly due to (i) the increase of net amount of receivables for sale-leaseback of RMB9.4 million; and (ii) the decrease of net amount of receivables for direct finance leasing of RMB15.8 million. The net amount of receivables for direct finance leasing decreased from RMB110.2 million as of 31 December 2017 to RMB94.3 million as of 30 June 2018 mainly because RMB11.5 million of the net amount of finance receivables of our outstanding balance as of 31 December 2017 were collected. For the six months ended 30 June 2018, all of our finance lease receivables were charged by fixed interest rates.

Loans and receivables

Our loans and receivables significantly decreased mainly due to the settlement of factoring services.

Cash and cash equivalents

Cash and cash equivalents consist of our cash in hand and deposits with banks. Our cash and cash equivalents slightly increased from RMB11.2 million as of 31 December 2017 to RMB11.5 million as of 30 June 2018.

Trade and other liabilities

Our trade and other liabilities mainly include guaranteed deposits from lessees, notes payable, value-added tax ("VAT") payable, and other payables. The following table sets forth our trade and other liabilities as of the dates indicated:

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Guaranteed deposits from lessees	**49,696**	50,365
Notes payable	**2,000**	48,595
VAT payable and other tax payable	**21,215**	23,153
Accounts payable	**1,106**	359
Accrued staff costs	**1,392**	1,870
Receipts in advance	**778**	135
Accrued liabilities	**–**	177
Interest payable	**1,363**	1,062
Guaranteed deposits from loans and receivables	**–**	1,991
Other payables	**10,760**	1,462
Total trade and other liabilities	**88,310**	129,169

Our guaranteed deposits from lessees slightly decreased from RMB50.4 million as of 31 December 2017 to RMB49.7 million as of 30 June 2018. The decrease mainly consist of the refund of deposits to the settled lease contracts of RMB11.1 million, partly offset by the deposits from the new lease contracts of RMB10.5 million.

Our notes payable, which was related to payment for leased equipment by notes to be settled between equipment suppliers and us, decreased from RMB48.6 million as of 31 December 2017 to RMB2.0 million as of 30 June 2018 mainly due to the settlement of notes payables of RMB46.6 million. Our accounts payable increased from RMB0.4 million as of 31 December 2017 to RMB1.1 million as of 30 June 2018. Our other payables significantly increased from RMB1.5 million as of 31 December 2017 to RMB10.8 million as of 30 June 2018 mainly due to (i) provision for un-paid listing expenses of RMB6.7 million; and (ii) initial payment payable to our customer for unachieved project of RMB4.0 million.

Wealth Management

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. The average daily balance of such products for the six months ended 30 June 2017 and 30 June 2018 amounted to RMB5.8 million and RMB25.6 million, respectively.

Indebtedness

Bank borrowings

The following table sets forth our outstanding bank borrowings by security as of the dates indicated:

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Bank borrowings:		
– Guaranteed and secured[1]	**150,000**	150,000
– Unsecured	**100,000**	100,000
Other borrowings:		
– Unsecured	**80,000**	90,000
Total	**330,000**	340,000

Note:

(1) These loans were secured by a commercial property provided by a third party. The guarantee fee charged by the third party was 1% per annum.

During the Reporting Period, all of our bank borrowings were subject to fixed interest rates. The finance lease receivables with carrying amount of RMB198.1 million as of 31 December 2017 and RMB196.6 million were pledged as collateral for our bank borrowings as of 30 June 2018.

Contingent liabilities

In January 2018, Xiamen Byleasing, an indirect wholly-owned subsidiary of the Company, was involved in an outstanding legal proceeding. Xiamen Byleasing reclaimed a leased property pursuant to the finance lease agreement from the lessee due to his failure of complete the lease payments as scheduled. Subsequently, the plaintiffs, both independent third parties (as the defined in the GEM Listing Rules), brought up the case to claim the right to the leased property.

As of the date of this report, the case has not been heard. The Directors confirmed that this case will not have any material and adverse effect on our Group, considering the value of the leased property is considerably immaterial.

Save as disclosed in note 17 to the consolidated financial statements, we did not have any mortgages, charges debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for the purchase of office equipment. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Capital expenditures	**42.0**	22.0

Commitment and contractual obligations

Operating lease

Operating lease commitments represented rentals payable by us for our offices. The following table sets out our future minimum lease payments under non-cancellable operating leases:

	As of 30 June 2018 RMB'000	As of 31 December 2017 RMB'000
Operating lease commitments:		
Within one year	**903**	442
One to five years (inclusive)	**1,668**	–
Total	**2,571**	442

The lease terms typically run for an initial period of one to five years, with an option to renew when all terms are renegotiated. None of the leases include contingent rental.

Capital commitments

Other than the operating lease commitments disclosed above, we did not have any significant capital commitment as of 30 June 2018.

Foreign currency exposure

Since our Group's business activities are solely operated in the PRC and denominated in Renminbi, the Directors consider that our Group's risk in foreign exchange is insignificant.

Off-balance sheet arrangements

As of the date of this report, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

The Group did not have any material investments, acquisition or disposal for the six months ended 30 June 2018.

EMPLOYMENT AND EMOLUMENTS

As of the date of this report, our Group had 29 full time employees, all of whom were based in China. Our employees' remuneration was paid with reference to the individual's responsibility and performance, also the actual practice of the Company. 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 date of this report, we had complied with all statutory applicable PRC laws and regulations in all material aspects.

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.

PROSPECTS

Riding on the opportunities arising from the Listing, our Group enhances our marketing and brand awareness. While strengthens our footholds of the market in Fujian Province, we also continues our expansion and channel construction of the market outside of Fujian province. By leveraging the increase opportunities of finance leasing industry in the PRC, we continue to expand our finance leasing business. Meanwhile, our Group will reinforce the connection with equipment suppliers and existing customers and maintain close relationship with them for customer referrals, so as to expand our factoring business in the PRC.

We are also planning to streamline our current procedures to enhance our risk management and internal control, thereby increasing our operation efficiency. By accelerating the construction of new information system and launching its operation, we will improve our management efficiency. As to human resource, we will strengthen the introduction of talents and training of employees, aiming to improve the quality of employees. Due to the rapid development of service industry and strategic and new emerging industries, as well as a series of favorable policies to be implemented, we believe our business will continue to grow.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on GEM of the Exchange on the Listing Date with net proceeds from the share offer of approximately HK$60.8 million (after deducting underwriting fees and commission, and other expenses in connection with the Share Offer). As of the date of this report, the net proceeds have not been applied. The Company will utilize the net proceeds in the manners as set out in the Prospectus, which is (i) approximately 80.0%, or approximately HK$48.6 million, will be used to expand our finance leasing business; (ii) approximately 10.0%, or approximately HK$6.1 million, will be used to expand our factoring business; and (iii) approximately 10.0%, or approximately HK$6.1 million, will be used to provide funding for our working capital and other general corporate purposes.

Other Information

Audit Committee

The audit committee of the Company (the "Audit Committee") has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company's policies and practices on corporate governance. This unaudited interim report has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Share Option Scheme

The share option scheme was adopted by the Company and approved by the shareholders of the Company on 20 June 2018 (the "Share Option Scheme") for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of our Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of our Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 20 June 2018 and will expire on 20 June 2028. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2018, the Company has no outstanding share option under the Share Option Scheme.

Directors' and Chief Executives' Interests and Short Positions in Securities

As of the Listing Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of 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 which he is 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 recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Interests in the Company

Name	Position	Nature of interest	Number of Shares[1]	Percentage in the total issued share capital
Mr. Ke Jinding[2]	Non-executive Director	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
Mr. Huang Dake[3]	Executive Director	Interest in controlled corporation	22,781,250 Shares (L)	8.44%

Notes:

(1) The letter ''L'' denotes a person's long position (as defined under Part XV of the SFO) in the Shares or the shares in the share capital of the relevant associated corporation.

(2) Zijiang Capital is directly interested in approximately 14.06% of the issued Shares. The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn approximately 40.0%, 40.0% and 20.0% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Jinding is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

(3) HDK Capital is directly interested in approximately 8.44% of the issued Shares. The disclosed interest represents the interest in the Company held by HDK Capital, which is wholly owned by Mr. Huang Dake. Therefore, Mr. Huang Dake is deemed to be interested in HDK Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, as of the Listing Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of 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 which he is 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 recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Interests and Short Positions of Substantial Shareholders

As of the Listing Date, the persons or corporations (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of Shares(1)	Percentage in the total issued share capital(3)
Septwolves Holdings	Beneficial owner	118,968,750 Shares (L)	44.06%
Mr. Zhou Yongwei(2)	Interest in controlled corporation	118,968,750 Shares (L)	44.06%
Zijiang Capital	Beneficial owner	37,968,750 Shares (L)	14.06%
Mr. Ke Shuiyuan(3)	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
HDK Capital(4)	Beneficial owner	22,781,250 Shares (L)	8.44%
Shengshi Capital	Beneficial owner	15,187,500 Shares (L)	5.63%
Mr. Huang Qinggang(5)	Interest in controlled corporation	15,187,500 Shares (L)	5.63%

Notes:

(1) The letter ''L'' denotes a person's long position (as defined under Part XV of the SFO) in the Shares.

(2) The disclosed interest represents the interest in the Company held by Septwolves Holdings, which is in turn approximately 37.06%, 31.47% and 31.47% owned by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. Therefore, Mr. Zhou Yongwei is deemed to be interested in Septwolves Holdings's interest in the Company by virtue of the SFO.

(3) The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn approximately 40.0%, 40.0% and 20.0% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Shuiyuan is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

(4) The disclosed interest represents the interest in the Company held by HDK Capital, which is wholly owned by Mr. Huang Dake. Therefore, Mr. Huang Dake is deemed to be interested in HDK Capital's interest in the Company by virtue of the SFO.

(5) The disclosed interest represents the interest in the Company held by Shengshi Capital, which is in turn approximately 80% owned by Mr. Huang Qinggang and approximately 20% owned by Ms. Huang Baoyue. Therefore, Mr. Huang Qinggang is deemed to be interested in Shengshi Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, as of the Listing Date, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Other Information

Interim Dividend

The Board does not recommend any interim dividend for the six months ended 30 June 2018.

Events After the Reporting Period

The Company's Shares were listed on GEM of the Exchange on 18 July 2018. Save as disclosed in note 19 to the unaudited interim financial report, there are no subsequent events after the Reporting Period.

Competing Interests

During the Reporting Period and up to the date of this report, none of the controlling Shareholders or substantial Shareholders of the Company, Directors and their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group or have any other conflicts of interest with our Group.

Interest of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Changjiang Corporate Finance (HK) Limited to be its compliance adviser ("Changjiang Corporate Finance"). As informed by Changjiang Corporate Finance, neither Changjiang Corporate Finance nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Changjiang Corporate Finance.

Corporate Governance

Our Group recognizes 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. The Board and the management of the Company have adopted the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance policies and compliance from time to time. From the Listing Date and up to the date of this report, the Company has fully complied with the Code Provisions.

Updates On Directors' Information

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, there is no changes in information of the Director since the Listing Date and up to the date of this report.

Required Standard of Dealings for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions of the Company by the Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct") as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code of Conduct from the Listing Date and up to the date of this report.

Pursuant to Rule 5.66 of the Code of Conduct, the Directors have also requested any employee of the Company or director or employee of any subsidiary of the Company who, because of his office or employment in the Company or any subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Code of Conduct as if he were a Director.

Independent Review Report

Review report to the board of directors of
Byleasing Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 24 to 48 which comprises the consolidated statement of financial position of Byleasing Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2018 and the related consolidated statement of profit or loss, the statement of profit or loss and other comprehensive income and the statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
13 August 2018

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2018** **RMB**	2017 RMB
Interest income		**38,540,728**	21,325,467
Advisory fee income		**2,374,340**	233,962
Revenue	*4*	**40,915,068**	21,559,429
Other net income		**615,131**	1,548,509
Interest expense		**(12,911,312)**	(8,148,978)
Operating expense		**(10,678,579)**	(5,947,575)
Impairment losses (charged)/written back	*5*	**(1,520,991)**	1,092,812
Profit before taxation	*6*	**16,419,317**	10,104,197
Income tax expense	*7*	**(3,903,197)**	(2,553,572)
Profit for the period		**12,516,120**	7,550,625
Attributable to:			
Equity shareholders of the Company		**12,516,120**	7,550,625
Profit for the period		**12,516,120**	7,550,625
Earnings per share			
Basic and diluted	*8*	**N/A**	N/A

The accompanying notes on pages 29 to 48 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Profit for the period	**12,516,120**	7,550,625
Other comprehensive income for the period (after tax):		
Item that may be classified subsequently to profit or loss		
– Exchange differences on translation of financial statements of operations outside the mainland China	**84,252**	–
Total comprehensive income for the period	**12,600,372**	7,550,625
Attributable to:		
Equity shareholders of the Company	**12,600,372**	7,550,625
Total comprehensive income for the period	**12,600,372**	7,550,625

The accompanying notes on pages 29 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB	At 31 December 2017 RMB
Non-current assets			
Equipment	9	**219,984**	210,042
Intangible assets		**257,577**	278,316
Finance lease receivables	10	**260,564,327**	258,198,612
Trade and other receivables	11	**–**	281,096
Deferred tax assets		**6,432,681**	5,544,619
		267,474,569	264,512,685
Current assets			
Loans and receivables		**–**	18,888,661
Finance lease receivables	10	**329,565,506**	342,286,604
Trade and other receivables	11	**4,431,704**	6,332,590
Pledged and restricted deposits		**600,000**	14,578,395
Cash and cash equivalents	12	**11,490,345**	11,183,137
		346,087,555	393,269,387
Current liabilities			
Borrowings		**330,000,000**	190,000,000
Income tax payable		**1,526,952**	6,141,541
Trade and other liabilities	13	**39,370,279**	81,190,081
		370,897,231	277,331,622
Net current (liabilities)/assets		**(24,809,676)**	115,937,765
Total assets less current liabilities		**242,664,893**	380,450,450
Non-current liabilities			
Borrowings		**–**	150,000,000
Trade and other liabilities	13	**48,939,621**	47,978,890
		48,939,621	197,978,890
NET ASSETS		**193,725,272**	182,471,560
CAPITAL AND RESERVES			
Share capital		**169**	169
Share premium		**176,074,003**	176,074,003
Reserves		**17,651,100**	6,397,388
TOTAL EQUITY		**193,725,272**	182,471,560

Approved and authorized for issue by the board of directors on 13 August 2018.

Huang Dake
Director

Chen Xinwei
Director

The accompanying notes on pages 29 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company						
	Share capital RMB	**Share premium** RMB	**Capital reserve** RMB	**Surplus reserve** RMB	**Exchange reserve** RMB	**Retained profits** RMB	**Total equity** RMB
Balance at 1 January 2017	132,000,000	–	112,758	4,120,656	–	24,240,587	160,474,001
Change in equity for the six months ended 30 June 2017:							
Total comprehensive income for the period	–	–	–	–	–	7,550,625	7,550,625
Balance at 30 June 2017 and 1 July 2017	132,000,000	–	112,758	4,120,656	–	31,791,212	168,024,626
Changes in equity for the six months ended 31 December 2017:							
Total comprehensive income for the period	–	–	–	–	(13,015)	13,138,711	13,125,696
Appropriation to statutory reserve	–	–	–	2,151,614	–	(2,151,614)	–
Transfer to share capital	36,000,000	–	–	–	–	(36,000,000)	–
Arising from Reorganisation	(167,999,831)	176,074,003	(6,752,934)	–	–	–	1,321,238
Balance at 31 December 2017	169	176,074,003	(6,640,176)	6,272,270	(13,015)	6,778,309	182,471,560
Impact on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**(1,346,660)**	**(1,346,660)**
Adjusted balance at 1 January 2018	**169**	**176,074,003**	**(6,640,176)**	**6,272,270**	**(13,015)**	**5,431,649**	**181,124,900**
Changes in equity for the six months ended 30 June 2018:							
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**84,252**	**12,516,120**	**12,600,372**
Balance at 30 June 2018	**169**	**176,074,003**	**(6,640,176)**	**6,272,270**	**71,237**	**17,947,769**	**193,725,272**

The accompanying notes on pages 29 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2018	2017
		RMB	RMB
Operating activities			
Cash generated from/(used in) operations		**26,426,339**	(115,695,307)
PRC income taxes paid		**(8,956,960)**	(4,263,448)
Net cash generated from/(used in) operating activities		**17,469,379**	(119,958,755)
Investing activities			
Interest received from deposits with financial institutions		**77,369**	974,746
Net proceed from wealth management products		**482,850**	94,051
Proceeds from disposal of equipment		**–**	172,991
Payment for purchase of equipment		**(42,172)**	(21,836)
Advances to a related party		**–**	(55,000,000)
Repayment from a related party		**527,000**	60,000,000
Net cash generated from investing activities		**1,045,047**	6,219,952
Financing activities			
Deemed contribution arising from reorganisation		**609,549**	–
Proceeds from borrowings		**80,000,000**	42,410,000
Repayment of borrowings		**(90,000,000)**	(40,293,793)
Payments for listing expenses		**(427,761)**	(742,686)
Interest paid		**(8,473,258)**	(6,817,429)
Net cash used in financing activities		**(18,291,470)**	(5,443,908)
Net increase/(decrease) in cash and cash equivalents		**222,956**	(119,182,711)
Cash and cash equivalents at 1 January		**11,183,137**	170,543,856
Effect of foreign exchange rate change		**84,252**	–
Cash and cash equivalents at 30 June	*12*	**11,490,345**	51,361,145

The accompanying notes on pages 29 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 General Information

The Company is an investment holding. The Group is principally engaged in providing equipment-based financing solutions, factoring services and value-added advisory services to customers. The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 5 June 2017.

The Company's issued shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange") since 18 July 2018 (the "Listing").

In preparation for the Listing, the Company and other companies now comprising the Group had undergone a reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the companies now comprising the Group on 16 November 2017.

As the Reorganisation only involved inserting the Company, Byleasing Capital Limited and Hong Kong Septwolves Group Financial Holding Co., Limited, and did not change the substance of the business and operations of Xiamen Baiying Leasing Co., Ltd. ("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.

This interim financial report 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. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the interim financial report.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 13 August 2018.

The interim consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities totaling RMB24,809,676 as at 30 June 2018, as the controlling shareholders of the Group have confirmed that they already arranged alternative credit facilities for at least next 12 months as is necessary to maintain the Group as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the accountants' report set out in Appendix I to the prospectus of the Company dated 30 June 2018 ("Accountants' Report"), except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 Basis of preparation (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 historical financial information disclosed in the Accountants' Report. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs")..

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 23.

3 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*

- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b).

(Expressed in Renminbi unless otherwise indicated)

3 Changes in accounting policies (Continued)

(a) Overview (Continued)

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

	At 31 December 2017	Impact on initial application of HKFRS 9	At 1 January 2018
Finance lease receivables	258,198,612	(801,603)	257,397,009
Deferred tax assets	5,544,619	448,887	5,993,506
Total non-current assets	**264,512,685**	**(352,716)**	**264,159,969**
Finance lease receivables	342,286,604	(993,944)	341,292,660
Current assets	**393,269,387**	**(993,944)**	**392,275,443**
Net assets	**182,471,560**	**(1,346,660)**	**181,124,900**
Reserves	6,397,388	(1,346,660)	5,050,728
Total equity	**182,471,560**	**(1,346,660)**	**181,124,900**

Further details of these changes are set out in sub-section (b) of this note.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements.

The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39. 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.

	RMB
Retained earnings	
Recognition of additional expected credit losses on finance lease receivables	(1,795,547)
Related tax	448,887
Net decrease in retained earnings at 1 January 2018	(1,346,660)

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

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.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment as FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial assets and liabilities have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(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 applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, and loans and receivables); and

– finance lease receivables.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and loans and receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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.

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

For finance 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.

Loss allowances for trade receivables are always 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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB1,795,547, which decreased retained earnings by RMB1,346,660 and increased deferred tax assets by RMB448,887 at 1 January 2018.

The reconciliation between the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018 is summarised in note 3(a).

(Expressed in Renminbi unless otherwise indicated)

3 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The assessment of determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(Expressed in Renminbi unless otherwise indicated)

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:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Interest income from		
Finance leases	**38,411,413**	20,705,659
Factoring	**129,315**	232,231
Entrusted loans	**–**	387,577
	38,540,728	21,325,467
Advisory fee income	**2,374,340**	233,962
	40,915,068	21,559,429

The Group has two lessees and one lessee for the six months ended 30 June 2018 and 2017 respectively, with whom transactions have exceeded 10% of the Group's aggregate revenues. Such revenue from the lessees is set out below:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Lessee A	**7,829,590**	7,839,094
Lessee B	**4,323,802**	271,698

5 Impairment losses charged/(written back)

		Six months ended 30 June	
		2018	2017
	Note	**RMB**	RMB
			(Note)
Finance lease receivables		**2,035,270**	(1,535,359)
Trade and other receivables	*11(a)*	**(21,051)**	33,804
Loans and receivables		**(493,228)**	408,743
		1,520,991	(1,092,812)

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

(Expressed in Renminbi unless otherwise indicated)

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
(a) Staff cost		
Contributions to defined contribution retirement plan	**136,950**	76,242
Salaries, wages and other benefits	**2,936,179**	2,255,545
Subtotal	**3,073,129**	2,331,787
(b) Other items		
Depreciation	**32,230**	92,326
Amortisation	**24,978**	100,306
Listing expenses	**5,938,314**	2,023,620
Legal expenses	**76,509**	106,852
Operating lease charges in respect of properties	**485,160**	435,000

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Current tax		
– PRC Enterprise Income Tax ("EIT")		
Provision for the period	**5,057,365**	2,280,369
– Over-provision in respect of prior years	**(266,107)**	–
Deferred income tax		
– Origination of temporary differences	**(888,061)**	273,203
	3,903,197	2,553,572

(Expressed in Renminbi unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	Six months ended 30 June **2018** **RMB**	 2017 RMB
Profit before taxation		**16,419,317**	10,104,197
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		**4,155,567**	2,580,050
Tax effect of non-deductible expenses		**13,737**	3,329
Over-provision in respect of prior years		**(266,107)**	–
Tax effect of PRC preferential tax treatment	*(i)*	**–**	(29,807)
Income tax expense for the period		**3,903,197**	2,553,572

Note:

(i) During the six months ended 30 June 2017, the PRC EIT rate of one of the Group's subsidiaries Doilungdêqên Baiyun Consulting Co., Ltd. ("Baiyun Consulting") is 15% 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201451號). The local portion (40%) of the EIT was exempted, and therefore, the effective EIT rate for Baiyun Consulting during the six months ended 30 June 2017 is 9%.

8 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this interim report, is not considered meaningful due to the Reorganisation and the preparation of the financial performance for the six months ended 30 June 2017 on a reverse acquisition basis as disclosed in note 1 above.

9 Equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of office equipment with a cost of RMB42,172 (six months ended 30 June 2017: RMB21,836).

During the six months ended 30 June 2018, no items of office equipment was disposed. During the six months ended 30 June 2017, items of office equipment with a net book value of RMB159,388 were disposed, resulting in a gain on disposal of RMB13,603.

(b) Impairment losses

During the six months ended 30 June 2018, no impairment loss of equipment was recognised (six months ended 30 June 2017: nil).

(Expressed in Renminbi unless otherwise indicated)

10 Finance lease receivables

	At 30 June 2018 RMB	At 31 December 2017 RMB
Minimum finance lease receivables		
Not later than one year	**420,749,589**	427,380,846
Later than one year and not later than five years	**288,066,424**	311,071,228
Gross amount of finance lease receivables	**708,816,013**	738,452,074
Less: Unearned finance income	**(95,401,074)**	(118,592,804)
Net amount of finance lease receivables	**613,414,939**	619,859,270
Less: Allowances for impairment losses	**(23,285,106)**	(19,374,054)
Carrying amount of finance lease receivables	**590,129,833**	600,485,216
Present value of minimum finance lease receivables		
Not later than one year	**346,393,527**	358,467,635
Later than one year and not later than five years	**267,021,412**	261,391,635
Total	**613,414,939**	619,859,270

	At 30 June 2018 RMB	At 31 December 2017 RMB
Analysis for reporting purpose as:		
Non-current assets	**260,564,327**	258,198,612
Current assets	**329,565,506**	342,286,604
	590,129,833	600,485,216

The finance lease receivables with carrying amount of approximately RMB196,598,676, and RMB198,074,743 were pledged as collaterals for the Group's bank borrowings as at 30 June 2018 and 31 December 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 RMB9,350,201 was arranged through an entrusted loan with properties as the collateral as at 30 June 2018 (31 December 2017: RMB24,411,601).

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 30 June 2018 and 31 December 2017, the lessees' deposits pledged for related finance lease receivables were disclosed in note 13.

(Expressed in Renminbi unless otherwise indicated)

10 Finance lease receivables (Continued)

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.

	At 30 June 2018 RMB
Overdue and credit-impaired	**18,120,401**
Overdue but not credit-impaired	
– Overdue within 30 days (inclusive)	**1,439,569**
– Overdue 30 to 90 days (inclusive)	**18,449**
– Overdue above 90 days	**–**
Neither overdue nor credit-impaired	**593,836,520**
Less: Allowances for impairment losses	**(23,285,106)**
At the end of the period	**590,129,833**

	At 31 December 2017 RMB
Overdue and impaired	14,637,449
Overdue but not impaired	
– Overdue within 30 days (inclusive)	1,241,356
– Overdue 30 to 90 days (inclusive)	2,965,930
– Overdue above 90 days	272,705
Neither overdue nor impaired	600,741,830
Less: Allowances for impairment losses	(19,374,054)
At the end of the year	600,485,216

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.

(Expressed in Renminbi unless otherwise indicated)

10 Finance lease receivables (Continued)

(a) Finance lease receivables and allowance for impairment losses

	At 30 June 2018			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Net amount of finance lease receivables	**580,274,764**	**15,019,774**	**18,120,401**	**613,414,939**
Less: Allowances for impairment losses	**(9,950,474)**	**(1,136,744)**	**(12,197,888)**	**(23,285,106)**
Carrying amount of finance lease receivables	**570,324,290**	**13,883,030**	**5,922,513**	**590,129,833**

	As at 31 December 2017		
	Finance lease receivables for which allowances are collectively assessed RMB	Finance lease receivables for which allowances are individually assessed RMB	Total 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	597,828,748	2,656,468	600,485,216

(Expressed in Renminbi unless otherwise indicated)

10 Finance lease receivables (Continued)

(b) Movements of allowances for impairment losses on finance lease receivables

	2018			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	**8,841,791**	**224,471**	**12,103,339**	**21,169,601**
Transfer to 12-month ECL	**224,471**	**(224,471)**	**–**	**–**
Transfer to lifetime ECL not credit-impaired	**(462,837)**	**462,837**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**(566,402)**	**–**	**566,402**	**–**
Net remeasurement of loss allowance	**(1,201,673)**	**673,907**	**(552,088)**	**(1,079,854)**
New financial assets originated	**3,115,124**	**–**	**–**	**3,115,124**
Recoveries of amounts previously written off	**–**	**–**	**80,235**	**80,235**
Balance at 30 June	**9,950,474**	**1,136,744**	**12,197,888**	**23,285,106**

	2017		
	Individual RMB	Collective RMB	Total RMB
Balance at 1 January	14,082,752	7,180,441	21,263,193
(Written back)/charged	(135,969)	212,631	76,662
Write offs	(1,965,801)	–	(1,965,801)
Balance at 31 December	11,980,982	7,393,072	19,374,054

(Expressed in Renminbi unless otherwise indicated)

11 Trade and other receivables

	Note	At 30 June 2018 RMB	At 31 December 2017 RMB
Non-current asset			
Deductible value-added tax		–	281,096
Current assets			
Other receivables		**152,141**	235,175
Less: Allowances for impairment losses	*(a)*	**(73,604)**	(94,655)
		78,537	140,520
Prepaid listing expenses		**3,865,248**	1,966,095
Deposits for property		**189,565**	189,565
Prepaid expenses		**161,902**	101,542
Prepayment for leasing assets		**136,452**	1,220,223
Notes receivable		–	1,200,000
Amounts due from shareholders		–	601,019
Interest receivable from a related party		–	527,000
Deductible value-added tax		–	386,626
		4,431,704	6,332,590
Total		**4,431,704**	6,613,686

(a) Movements of allowances on other receivables

	At 30 June 2018 RMB
At 1 January	**94,655**
Reversal for impairment losses	**(21,051)**
At 30 June	**73,604**

	At 31 December 2017 RMB
At 1 January	35,441
Charged for the year	59,214
At 31 December	94,655

(Expressed in Renminbi unless otherwise indicated)

12 Cash and cash equivalents

	At 30 June 2018 RMB	At 31 December 2017 RMB
Deposits with banks	**11,490,345**	11,183,137

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.

13 Trade and other liabilities

	Note	At 30 June 2018 RMB	At 31 December 2017 RMB
Current liabilities			
Guaranteed deposits from lessees	*(ii)*	**9,039,025**	12,433,632
Guaranteed deposits from loans and receivables		**–**	1,991,662
VAT payable and other tax payable		**12,932,440**	13,104,825
Accounts payable	*(i)*	**1,106,038**	359,532
Notes payable		**2,000,000**	48,595,080
Accrued staff costs		**1,392,027**	1,870,109
Receipts in advance		**777,699**	135,203
Accrued liabilities		**–**	176,500
Interest payable		**1,363,255**	1,061,776
Other payables		**10,759,795**	1,461,762
		39,370,279	81,190,081
Non-current liabilities			
Guaranteed deposits from lessees	*(ii)*	**40,656,512**	37,931,138
VAT payable		**8,283,109**	10,047,752
		48,939,621	47,978,890
Total		**88,309,900**	129,168,971

Notes:

(i) As at 30 June 2018 and 31 December 2017, all the accounts payable were payable on demand.

(Expressed in Renminbi unless otherwise indicated)

13 Trade and other liabilities (Continued)

Notes: (Continued)

(ii) Guaranteed deposit from lessees for reporting purpose:

	At 30 June 2018 RMB	At 31 December 2017 RMB
Current portion	**9,039,025**	12,433,632
Non-current portion	**40,656,512**	37,931,138
Total	**49,695,537**	50,364,770

14 Capital, reserves and dividends

No dividends were paid to the equity shareholders of companies now comprising the Group during the six months ended 30 June 2018.

15 Fair value measurement of financial instruments

As at 30 June 2018 and 31 December 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.

16 Commitments

Operating leases commitments

As at 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	At 30 June 2018 RMB	At 31 December 2017 RMB
Within 1 year	**903,440**	442,119
After 1 year but less than 5 years	**1,667,500**	–
Total	**2,570,940**	442,119

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

(Expressed in Renminbi unless otherwise indicated)

17 Contingent Liabilities

In January 2018, one of the Group's subsidiary, Xiamen Byleasing was involved in an outstanding legal proceedings. Xiamen Byleasing reclaimed a lease property pursuant to the finance lease agreement, after the lessee failed to make lease payments as scheduled. However, the leased property was sold to two independent third parties, who brought the case against the lessee and Xiamen Byleasing, to claim the right to the leased property.

As of the date of this report, the case has not been heard. The directors of the Company confirmed that this case will not have any material and adverse effect on the Group, considering the value of the leased property is considerably immaterial.

18 Material related party transactions

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Key management personnel remuneration	**670,075**	558,568

During the six months ended 30 June 2018, the purchase of leased assets from Fujian Jingong Machinery Co., Ltd. amounted to RMB1,868,000 (six months ended 30 June 2017: RMB4,240,000). The related accounts payable, prepayments and other payables amounted to RMB166,138 (31 December 2017: RMB17,991), RMB0 (31 December 2017: RMB22,232) and RMB3,960,000 (31 December 2017: nil) respectively.

During the six months ended 30 June 2018, the rental and property management fee to related parties incurred amounted to RMB471,317 (six months ended 30 June 2017: RMB477,050). The related prepayments and deposits balances amounted to RMB212,685 (31 December 2017: RMB274,022).

During the six months ended 30 June 2018, two of the Company's shareholders, MARX Capital Limited and Shengshi Capital Limited fully paid up their registered shares with HK$719,500; and Fujian Septwolves Group Co., Ltd. repaid the interest of RMB527,000, which was incurred for its advances from the Group during years ended 31 December 2016 and 2017.

19 Non-adjusting events after the reporting period

On 18 July 2018, the Company allotted and issued 202,480,000 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK$2,024,800 (equivalent to RMB1,723,915) from the share premium account of the Company.

On 18 July 2018, the Company issued a total of 67,500,000 ordinary shares of HK$0.01 each at HK$1.28 (equivalent to RMB1.09) pursuant to the share offering of the Company's shares.

As a result of the above capitalisation and share offering, the issued and paid-up share capital of the Company increased from HK$200 to HK$2,700,000.

(Expressed in Renminbi unless otherwise indicated)

20 Comparative figures

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as HKFRS 9 (see note 3), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the Accountants' Report in respect of HKFRS 16, Leases, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the Accountants' Report, 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.

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 16, as at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB2,570,940 for properties, RMB1,667,500 of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, 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.