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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 8452

2018
ANNUAL REPORT

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*This report, for which the directors (the "**Directors**", each a "**Director**") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), collectively and individually, accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*

CONTENTS

CORPORATE INFORMATION

NAME OF COMPANY
FY Financial (Shenzhen) Co., Ltd.

STOCK CODE
08452

BOARD OF DIRECTORS
Executive Directors
Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)
(Appointed on 15 May 2018)

Non-executive Directors
Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Qian Cheng (錢程)
Ms. Hui Ying (惠穎)
(Resigned on 22 March 2018)
Mr. Sun Luran (孫路然)

Independent Non-executive Directors
Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

SUPERVISORY COMMITTEE
Mr. Tian Xiuju (田秀舉) (Chairman)
Mr. Liu Bing (劉兵)
Mr. Zhu Xiaodong (朱曉東)

AUDIT COMMITTEE
Mr. Fung Che Wai Anthony (馮志偉) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

NOMINATION COMMITTEE
Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Fung Che Wai Anthony (馮志偉)

REMUNERATION COMMITTEE
Mr. Liu Shengwen (劉升文) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Qian Cheng (錢程)

COMPLIANCE OFFICER
Mr. Li Peng (李鵬)

JOINT COMPANY SECRETARIES
Ms. Wang Ying (王瑩)
Ms. Ng Wing Shan (吳詠珊)

AUTHORIZED REPRESENTATIVES
Mr. Weng Jianxing (翁建興)
Ms. Ng Wing Shan (吳詠珊)

REGISTERED OFFICE
Room 201, Block A
No.1 Qianwan First Road
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen, Guangdong
the People's Republic of China (the "**PRC**")

HEAD OFFICE IN THE PRC
3001, Shenzhen International Culture Building
Futian Road
Futian District
Shenzhen, Guangdong
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
40/F, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE
www.fyleasing.com

CORPORATE INFORMATION

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

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

As to PRC law
Shu Jin Law Firm
(resigned on 31 May 2018)
12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
The PRC

Beijing Tian Yuan Law Firm
(appointed on 18 July 2018)
10/F, China Pacific Insurance Plaza B
28 Fengsheng Lane
Xicheng District
Beijing
The PRC

COMPLIANCE ADVISER

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

PRINCIPAL BANKERS

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

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

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

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

FIVE YEARS FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2014 RMB'000 Note (a)	2015 RMB'000 Note (a)	2016 RMB'000 Note (b)	2017 RMB'000 Note (b)	**2018** **RMB'000** **Note (c)**
Revenue	51,905	69,611	76,047	122,739	**155,529**
Direct costs	(22,262)	(23,549)	(10,451)	(44,363)	**(53,523)**
Gross profit	29,643	46,062	65,596	78,376	**102,006**
Other income and gains	3,131	2,589	2,277	2,838	**5,110**
Operating expenses	(7,628)	(7,013)	(7,903)	(12,223)	**(17,353)**
Administrative expenses	(15,150)	(17,580)	(18,722)	(25,267)	**(30,653)**
Impairment loss on accounts receivable, net	(3,444)	(14,285)	(7,991)	(4,908)	**(4,483)**
Listing expenses	—	—	(8,691)	(9,400)	**—**
Profit before income tax	6,552	9,773	24,566	29,416	**54,627**
Income tax expense	(1,767)	(2,707)	(8,397)	(8,728)	**(14,424)**
Profit and total comprehensive income for the year	4,785	7,066	16,169	20,688	**40,203**

FIVE YEARS FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2014 RMB'000 Note (a)	2015 RMB'000 Note (a)	2016 RMB'000 Note (b)	2017 RMB'000 Note (b)	**2018 RMB'000 Note (c)**
ASSETS AND LIABILITIES					
Total assets	708,429	898,701	987,296	1,330,081	**1,470,194**
Total liabilities	482,624	605,585	678,011	905,838	**1,014,296**
Total equity	225,805	293,116	309,285	424,243	**455,898**
Non-controlling interests	23,836	–	–	–	**–**
Equity attributable to equity holders of the Company	201,969	293,116	309,285	424,243	**455,898**

Notes:

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

(b) The financial figures were extracted from the 2017 annual report of the Company dated 22 March 2018.

(c) The financial figures were extracted from the consolidated financial statements in this annual report of the Company.

The summary above does not form part of the audited consolidated financial statements in this annual report.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2018 (the "**Reporting Period**").

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

In 2018, the national and global economic environments were unstable and complicated, encompassing both opportunities and challenges. To adapt to the economic fluctuations, the Company kept its focus on its principal businesses. Supported by sufficient risk controlling experience, the Company has been constantly working on improving the quality of assets, reducing credit risks, and enhancing its ability to manage and resist against risks, so as to cope with the adverse impact of economic fluctuations.

The Company adheres to the principle of steady development, and is committed to providing high-quality financing services for other enterprises. The Company has been actively expanding its customer base into familiar industries. During the Reporting Period, the Company's finance leasing and factoring businesses continued to grow.

OUTLOOK

Looking forward to 2019, the Company would continue to provide quality services and to expand customer base into the industries it already set foot in. In case of adverse market condition, we will pay close attention to the market changes of the industries involved and adjust our business strategies in a timely manner to avoid visible risks. The Company will continue to take risk management and risk investigation as its paramount concerns, and improve its asset management and team management abilities while enhancing the comprehensive strength of the Company.

Against the background of tightening liquidity, the cost of access to capital is rising sharply. To control and reduce its cost of financing, the Company intends to diversify its ways of financing and optimize its financing structure.

The Group will continue to maintain sustained, steady and healthy business development and use its best endeavors to create benefits for shareholders of the Company (the "**Shareholders**").

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to employees and the management for their diligence and commitment over the past year, as well as the confidence and support of the Shareholders and business partners for the Group. In appreciation of the support and loyalty of the Shareholders, the Board is pleased to recommend the payment of a final dividend (the "**Final Dividend**") of Renminbi ("**RMB**") 0.05 per share (tax inclusive) of the Company for the Reporting Period.

Zhuang Wei
Chairman
Shenzhen, the PRC, 28 February 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's operating results grew steadily and the Group's revenue was mainly derived from the provision of finance leasing, factoring and advisory services, accounting for approximately 55.55%, 13.48% and 11.23% of the total revenue of the Group, respectively. While paying attention to the increasing liquidity risks of the manufacturing industries which are key industries where the Group's major customer base sets foot in, the Group has been focusing on developing quality customers specialising in mirco, small and medium-sized financial businesses.

Finance leasing business

The finance leasing business is a core business segment of the Group, comprising direct finance lease, new sale-leaseback and used sale-leaseback transactions. During the Reporting Period, the Group derived a revenue of RMB86.39 million from the finance lease business, representing an increase of approximately 21.47% from RMB71.12 million in last year.

The Group continued to expand its customer pool into small and medium-sized businesses engaging in the supply of medical equipment, electronic equipment, machinery processing services and commercial transportation services. The Group also enhanced its risk control where projects with foreseeable risk will be eliminated during the due-diligence process. In addition, the Group kept improving its internal management system where its overall asset risks were steadily reduced.

Factoring business

The factoring business is another core business segment where the Group has been facing rapid structural changes in the manufacturing industries, the key industries where the Group's major customer base for its factoring business sets foot in. During the Reporting Period, the Group derived a revenue of RMB20.97 million from the factoring business, representing an increase of approximately 207.47% from RMB6.82 million in last year. The Group intends to analyze market trends, make adjustments to its business strategy and pricing policy in a timely manner, which will enhance its risk control capabilities over the rapidly changing market conditions. In the future, the Company will continue to maintain its relationship with its existing customers while strengthening its research and knowledge of existing upstream and downstream customers along the supply chain, and also continue to develop factoring-based business innovations.

Advisory service business

The Group's advisory service business comprises of the provision of guidance and other relevant services to customers of its finance leasing and factoring business. During the Reporting Period, the Group derived a revenue of approximately RMB17.47 million from its advisory service business, representing an increase of approximately 9.32% from approximately RMB15.98 million in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In 2018, the Group was dedicated to the provision of financial services for private enterprises while paying close attention to the overall national economic trends to adjust its development strategies. In 2019, on the other hand, the Group will continue to maintain its professional and regional management structure, business channels expansion and the development of small and medium-sized and high-quality enterprises customer base. Further, the Group will also adjust its business policies to cope with the fast changing economic situation. Moreover, while maintaining good relationships with its existing customers, in order to expand its business scale, the Group will continue to establish and develop relationships with new customers, seek new business directions and sustain growth, and further strengthening its existing business foundation. Financing from the banks is currently the main source of capital for the Group, and hence, the exploration of multi-channels for financing will be a priority of the Group. With respect to team building, the Group will place emphasis on staff training and provide effective incentive systems to attract talents. Looking forward to 2019, the Group is optimistic of its future development. The Board believes the external macroeconomic environment has turned positive and the industries the Group engaged in are becoming more and more prosperous in the PRC.

REVENUE

During the Reporting Period, the revenue of the Group maintained steady growth and amounted to approximately RMB155.53 million, representing an increase of approximately 26.72% from approximately RMB122.74 million for the same period of last year. The revenue growth was mainly due to the expansion of the Group's finance leasing and factoring businesses.

GROSS PROFIT

During the Reporting Period, the Group's gross profit amounted to approximately RMB102.01 million, representing an increase of approximately 30.15% compared to approximately RMB78.38 million for the same period of last year.

DIRECT COSTS

The Group's main cost items were interest expenses on bank borrowings. During the Reporting Period, the Group's direct costs amounted to approximately RMB53.52 million, representing an increase of approximately 20.65% from approximately RMB44.36 million for the same period of last year. The increase was primarily attributable to the increase in interest-bearing bank borrowings.

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to approximately RMB5.11 million, representing an increase of approximately 79.93% from approximately RMB2.84 million for the same period of last year. The increase was primarily attributable to the increase in government grant and interest income from structured bank deposit.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses amounted to approximately RMB17.35 million, representing an increase of approximately 41.98% from approximately RMB12.22 million for the same period of last year. The increase was primarily attributable to the increase in the total number of the sales personnel of the Group as a result of the Group's market expansion.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB30.65 million, representing an increase of approximately 21.29% from approximately RMB25.27 million for the same period of last year. The increase was primarily attributable to the increase in salaries and benefits as a result of the increase in the total number of administrative staffs of the Group.

IMPAIRMENT LOSS ON ACCOUNTS RECEIVABLE

During the Reporting Period, the Group's provision for impairment loss on accounts receivable was approximately RMB4.48 million, representing a decrease of approximately 8.76% from approximately RMB4.91 million for the same period of last year. The decrease in impairment loss on accounts receivables illustrated the effectiveness and maturity of the Group's risk management system.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense was approximately RMB14.42 million, representing an increase of approximately 65.18% from approximately RMB8.73 million for the same period of last year. The increase was primarily attributable to the increase in revenue and the increase in profit before income tax.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group.

FOREIGN EXCHANGE RISK

The Group's reporting currency is in RMB in which the Group's material transactions are denominated. The net proceeds from the share offering are denominated in Hong Kong Dollars ("**HK$**"), which exposed the Group to market risk arising from changes in foreign exchange rates. The Group also faces foreign exchange risk from bank borrowings which are denominated in EURO ("**EUR**"). The Group currently does not have a foreign currency hedging policy. However, the management of the Group will closely monitor foreign exchange exposure and consider the usage of hedging instruments when the need arises.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCE COSTS

The Group's bank borrowings are denominated in RMB and EUR, and have been arranged on a floating-rate basis. During the Reporting Period, the effective interest rates on the Group's floating rate borrowings ranged from 3.80% to 6.09% per annum (2017: 4.75% to 5.13% per annum).

TREASURY MANAGEMENT

During the Reporting Period, there was no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its operation in the normal course of business.

LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December	
	2018	2017
	RMB	RMB
Cash at bank and in hand	**72,677,833**	35,007,495
Highly liquid investment	**—**	—
Net cash generated from/(used in) operating activities	**15,429,953**	(294,410,579)
Net cash (used in)/generated from investing activities	**(83,594,993)**	840,930
Net cash generated from financing activities	**105,835,378**	287,658,210

As at 31 December 2018, cash at bank and in hand of the Group was approximately RMB72.68 million, as compared with approximately RMB35.01 million as at 31 December 2017. As at 31 December 2018, the Group had no highly liquid investment, the same as compared with 31 December 2017.

During the Reporting Period, net cash generated in operating activities was approximately RMB15.43 million, as compared with net cash used in operating activities of approximately RMB294.41 million for the same period of last year. During the Reporting Period, net cash used from investing activities was approximately RMB83.59 million, as compared with net cash generated from investing activities of approximately RMB0.84 million for the same period of last year. During the Reporting Period, net cash generated from financing activities was approximately RMB105.84 million, as compared with net cash generated from financing activities of approximately RMB287.66 million for the same period of last year.

As at 31 December 2018, the Group recorded total current assets of approximately RMB971.19 million as compared with approximately RMB736.35 million as at 31 December 2017. The Group's current ratio was approximately 1.24 as at 31 December 2018, as compared with approximately 0.97 as at 31 December 2017. As at 31 December 2018, the gearing ratio of the Group stood at 177% (31 December 2017: 164%). Gearing ratio is calculated based on the total debts (being amount due to an intermediate holding company and bank borrowings) divided by total equity as at the end of each respective year and multiply by 100.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2018, certain of the Group's assets were pledged to secure the borrowings of the Group. The aggregate carrying amount of the pledged assets of the Group as at 31 December 2018 was as follows:

	As at 31 December 2018 RMB
Accounts receivable – finance lease receivables	266,478,000
Bank deposits	19,909,422
	286,387,422

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the Reporting Period. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had 134 full-time employees, as compared to 101 full-time employees for the same period of last year. Total staff costs (including Directors' remuneration) was approximately RMB28.15 million for the Reporting Period, as compared with approximately RMB21.91 million for last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. During the Reporting Period, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under the PRC laws.

The Group believes that its employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has been recruiting and promoting individuals based on merit and their development potentials. Remuneration packages offered to all employees are determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

SIGNIFICANT INVESTMENT

As at 31 December 2018, the Group did not have any significant investment.

USE OF PROCEEDS FROM THE SHARE OFFER

On 23 May 2017, the Company issued an aggregate of 89,840,000 H Shares of RMB1.00 each (the "**Share Offer**"). After deducting underwriting commissions and all other expenses related to the Share Offer, the net proceeds from the Share Offer amounted to approximately RMB92.52 million. During the period from the Listing Date to 31 December 2018, the Group did not change its plan on the use of proceeds as stated in the prospectus of the Company dated 10 May 2017 (the "**Prospectus**") in relation to the Share Offer.

The Group's utilisation of proceeds from the Share Offer as at 31 December 2018 is set out below:

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no commitments for the acquisition of plant and equipment which were contracted for but not yet incurred (31 December 2017: RMB0.41 million).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results of the Group for the Reporting Period and agreed to the accounting principle and practices adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

On 28 February 2019, the Board proposed to pay the Final Dividend of RMB0.05 per share for the Reporting Period an aggregate amount of RMB17,967,000. The Board recommended to distribute the Final Dividend in cash to the Shareholders whose names appear on the register of members of H Shares after the close of business on Friday, 10 May 2019. The distribution of the Final Dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Thursday, 25 April 2019 (the "**AGM**").

* Number of shares outstanding at 31 December 2018 was 359,340,000 (including H Shares, domestic shares and unlisted foreign shares).

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Peng (李鵬), aged 55, was appointed as a Director on 28 September 2012. He has been responsible for overseeing the daily operation of the Group since he joined us as a Director and the general manager in September 2012 and November 2015, respectively. Mr. Li has extensive legal knowledge and over five years of experience in corporate management. Mr. Li joined the predecessor of Tian Yuan Law Firm (天元律師事務所) in October 1993 where he focused on mergers and acquisitions till he left as a partner in September 2010. From October 2010 to September 2013, Mr. Li successively served as the vice president and the chief executive officer in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the overall management of this company. From September 2012 to May 2014, Mr. Li served as a director in China Lihe Company Limited (力合股份有限公司), an investment holding company listed on the Shenzhen Stock Exchange (stock code: 000532). He has served as the chairman of Shenzhen Fullin Jinkong Asset Management Co., Ltd. (深圳富銀金控資產管理有限公司) ("**Fullin Jinkong**"), an investment holding company where he has been responsible for overseeing the general management and of Shenzhen Shanhuitong Internet Financial Service Co., Ltd. (深圳杉滙通互聯網金融服務有限公司) ("**Shenzhen Shanhuitong**"), an online lending agent since June 2013 and July 2014, respectively. In July 2018, Mr. Li was appointed as an independent non-executive director of Shanghai Yaohua Pilkington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600819) and principally engaged in the research and development, manufacturing and sale of glass. Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC in July 1984.

Mr. Weng Jianxing (翁建興), aged 41, was appointed as a Director on 9 June 2016. He is also the risk management director and responsible for risk management and asset management of the Group. Mr. Weng joined the Group as the head of risk management department in April 2013 and was promoted as the risk management director in April 2015. Mr. Weng has more than seven years of experience in financial products and risk management. From September 2009 to March 2011, Mr. Weng was a product manager in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the development of financial products. From March 2011 to March 2013, he served as the risk control manager of CIMC Financial Leasing Company Limited (中集融資租賃有限公司), a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. He obtained his bachelor's degree in transportation, master's degree in corporate management and doctor's degree in business administration from Changsha Transportation Institute (長沙交通學院), Changsha University of Science & Technology (長沙理工大學) and Central South University (中南大學) in the PRC in June 2002, June 2005 and November 2011, respectively.

Ms. Wang Ying (王瑩), aged 30, was appointed as a Director on 15 May 2018. Ms. Wang is also the Board secretary, the head of finance department and a joint company secretary of the Company. Ms. Wang joined the finance department of the Company as an accountant in January 2013 and has been responsible for financial management of the Group and the administrative matters of the Board. She has more than six years of experience in financial management. Prior to joining the Group, from March 2011 to December 2012, Ms. Wang served as a financial executive in Ningbo Shanshan Co., Ltd. ("**Shanshan**"), where she was responsible for preparing financial reports. She obtained her bachelor's degree in financial management from China University of Geosciences (中國地質大學) in the PRC in June 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhuang Wei (莊巍), aged 52, was appointed as a Director on 28 September 2012. Mr. Zhuang is the chairman of the Board (the "**Chairman**") and is responsible for the overall corporate strategies and management directions of the Group. Before he joined Shanshan and its subsidiaries (other than members of the Group) in March 2007, he worked in a PRC conglomerate from July 1993 to April 2000, an investment company from April 2000 to March 2003 and an IT company from March 2003 to March 2007 successively. He was responsible for investment management in the PRC conglomerate and general management in the other two companies. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of the company. From April 2008 to March 2009, Mr. Zhuang served as the director and the general manager of Shanshan. From March 2009 to September 2012, Mr. Zhuang served as the chairman of Shanshan. Since September 2012, he has served as the chairman and the general manager of Shanshan. Besides, he also serves as the chairman and director of a number of subsidiaries of Shanshan. Mr. Zhuang obtained his doctor's degree in political economy from Peking University (北京大學) in the PRC in July 2000.

Mr. Qian Cheng (錢程), aged 45, was appointed as a Director on 28 September 2012. He is responsible for providing strategic advice to the business and operation of the Group. From March 1998 to January 2001, Mr. Qian is a staff in Shanshan Group Co., Ltd. (杉杉集團有限公司) ("**Shanshan Group**"), where he was responsible for administration and human resources. From February 2001 to May 2002, Mr. Qian was a staff in Shanshan Holding Co., Ltd. (杉杉控股有限公司) ("**Shanshan Holding**"), where he was responsible for administration and human resources. From March 2006 to June 2009, Mr. Qian was a director of Zhongke Yinghua High-teach Company Limited (中科英華高技術股份有限公司), now known as Nuode Investment Co., Ltd. (諾德投資股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600110) and primarily engaged in the business of copper foil, lithium battery materials, investment and import and export, where he was responsible for overseeing the general operation of the company. From March 2007 to March 2008, Mr. Qian was the office director of Shanshan Holding, where he was responsible for administration and human resources. From April 2008 to March 2010, Mr. Qian served as a deputy general manager and the secretary of the board of Shanshan, where he was mainly responsible for assisting the general manager and coordinating communication between the company and investors. Since March 2010, he has served as a director, the deputy general manager and the secretary of the board of directors of Shanshan, where he is responsible for assisting the general manager and coordinating communication between investors and the company. Besides, he also serves as the chairman and/or director and/or general manager of a number of subsidiaries of Shanshan. Mr. Qian obtained his bachelor's degree in international relations and public affairs from Fudan University (復旦大學) in the PRC in July 1995.

Mr. Sun Luran (孫路然), aged 26, was appointed as a Director on 12 April 2016. He assumes an advisory role in the Board in view of his knowledge in finance, understanding in the capital and financial market and financial risk management, which will assist the Board to evaluate and improve the internal control and risk management systems of the Group. He joined Shenzhen Shanhuitong as a risk control manager in May 2016 and has been involved in risk management related work shortly after his graduation from the University of Huddersfield in the United Kingdom in June 2014 and March 2016, where he received his bachelor's degree in business management and master's degree in finance, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Che Wai Anthony (馮志偉), aged 50, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展（開曼）控股有限公司), now known as Zall Group Ltd. (卓爾集團股份有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for the overall financial operation, company secretarial matters and investor relations. From September 2014 to March 2017, Mr. Fung was an independent supervisor of Chery HuiYin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was responsible for monitoring the company's operations as a member of the board of supervisors. From May 2017, Mr. Fung served as the chief financial officer of Beijing Enterprises City Resources Group Co., Ltd. (北控城市資源集團有限公司), the holding company of a group engaged in harmless disposal of hazardous waste and treatment of solid waste. From June 2017, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), the holding company of a group engaged in food production and trading and whose shares are listed on the Main Board of the Stock Exchange.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hon Leung (韓亮), aged 36, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of the company. Mr. Hon qualified as a certified public accountant by the HKICPA in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文), aged 42, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. From November 2014 to July 2018, Mr. Liu was the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since July 2018, Mr. Liu has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch. Since September 2015, Mr. Liu has been an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code 300197). Mr. Liu qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000, respectively. Mr. Liu obtained a master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

SUPERVISORY COMMITTEE

Mr. Tian Xiuju (田秀舉), aged 31, was appointed as the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") on 11 August 2015. Mr. Tian joined the internal control department of the Company on 1 July 2014. He has also served as a supervisor of Tianjin Fuyin Leasing Co., Ltd. (天津富銀租賃有限公司) ("**Tianjin Fuyin**"), a wholly-owned subsidiary of the Company, since July 2017. Prior to joining the Group, from July 2012 to June 2014, Mr. Tian successively served as an internal control specialist in Shanshan, where he was responsible for internal control matters. Mr. Tian has also served as a supervisor of Fullin Jinkong, Shenzhen Shanhuitong and Shannong New Agriculture Financial Services (Shenzhen) Co., Ltd. (杉農新農業金融服務(深圳)有限公司), a company primarily engaged in providing financial agency and consulting services since July 2014, July 2014 and August 2015, respectively. Mr. Tian obtained his bachelor's degree in finance from Anhui University of Finance & Economics (安徽財經大學) in the PRC in July 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Bing (劉兵), aged 46, was appointed as an employee representative Supervisor of the Company on 7 July 2015. Mr. Liu joined the Group on 15 March 2013. From August 1995 to December 2007, Mr. Liu held several positions including deputy office director in Linli Development Reform and Price Bureau (臨澧縣發展改革物價局), where he was responsible for the price determination for electricity, water and petroleum. From May 2009 to December 2010, he was the head of the audit department of Shenzhen Shidu Industrial Company Limited (深圳市世都實業有限公司), a company primarily engaged in the sales of garments, where he was responsible for internal audit. From December 2010 to May 2012, he was a risk manager in Shenzhen Zhongkezhi Financing Guarantee Company Limited (深圳市中科智融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for due diligence and assets valuation. From June 2012 to March 2013, he was the manager of the department of risk management in Shenzhen Wanfeng Weiye Financing Guarantee Company Limited (深圳市萬豐偉業融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for establishing the risk management system. Mr. Liu obtained a graduation certificate in audit from Hunan University of Commerce (湖南商學院) in the PRC in June 1995. In addition, he obtained a price appraiser qualification certificate from the Personnel Department of Hunan Province (湖南省人事廳) in the PRC in April 2001. In December 2011, Mr. Liu also became a non-practising member of The Chinese Institute of Certified Public Accountants of the PRC.

Mr. Zhu Xiaodong (朱曉東), aged 46, was appointed as a Supervisor and elected as the representative of the Shareholders on 11 August 2015. He has also served as a supervisor of Tianjin Fuyin, a wholly-owned subsidiary of the Company, since July 2017. Since July 2003, he has been the chief financial officer of Beijing Municipality Dayuan Tiaudi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司) ("**Dayuan Tiandi**"), a property developer, where he has been responsible for the financial management of that company. Mr. Zhu obtained a bachelor's degree in law from Tianjin Normal University (天津師範大學) in the PRC in July 2001.

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

SENIOR MANAGEMENT

Mr. Li Peng (李鵬), for details of Mr. Li Peng's biography, see "Executive Directors" above.

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

Ms. Wang Ying (王瑩), for details of Ms. Wang Ying's biography, see "Executive Directors" above.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the Reporting Period.

COMPLIANCE WITH THE CG CODE

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

COMPOSITION AND DUTIES OF THE BOARD

As at 31 December 2018, the Board consisted of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

The composition of the Board during the Reporting Period and up to the date of this annual report is as follows:

Executive Directors

Mr. Li Peng (李鵬) (General Manager)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩) *(Appointed on 15 May 2018)*

Non-executive Directors

Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Qian Cheng (錢程)
Ms. Hui Ying (惠穎) *(Resigned on 22 March 2018)*
Mr. Sun Luran (孫路然)

Independent Non-executive Directors

Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

According to the articles of association of the Company (the "**Articles of Association**"), all the Directors shall be elected by the general meeting for a term of three years, and are eligible for re-election upon expiry of their terms. The powers and duties of the Board include, but are not limited to convening Shareholders' general meetings, reporting the Board's work at the shareholders' meetings, implementing the resolutions passed at general meetings, determining the Group's business and investment plans, formulating its annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of the Company's registered capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

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

During the Reporting Period, Ms. Wang Ying and Ms. Ng Wing Shan have undertaken not less than 15 hours of relevant professional training respectively.

BOARD COMMITTEES

The Company established three Board committees (the "**Board Committees**"), namely the Audit Committee, the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") on 25 April 2017. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are published on the websites of the Company and the Stock Exchange.

Audit Committee

The Board established the Audit Committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, being Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen. The Audit Committee is chaired by Mr. Fung Che Wai Anthony, who is the independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee include (but are not limited to) assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process, developing and reviewing the Company's policies and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee held four meetings to review the quarterly financial results announcement and report for the three months ended 31 March 2018; the interim financial results announcement and report of the Company for the six months ended 30 June 2018; the quarterly financial results announcement and report for the nine months ended 30 September 2018; and the annual financial results announcement and report of the Company for the year ended 31 December 2017 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Company's internal audit function.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established the Nomination Committee on 25 April 2017. The written terms of reference are in compliance with code provision A.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary function of the Nomination Committee include (but are not limited to) making recommendations to the Board on the appointment of members of the Board. The Nomination Committee will identify suitable individuals qualified to become Board members and makes recommendation on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to those candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of a strong and diverse Board. The Nomination Committee consists of one non-executive Director, being Mr. Zhuang Wei and two independent non-executive Directors, being Mr. Hon Leung and Mr. Fung Che Wai Anthony. The Nomination Committee is chaired by Mr. Zhuang Wei, the Chairman.

Nomination policy pursuant to: the Board and Shareholders' holding, individually or collectively, more than 3% of voting shares of the Company may nominate candidates for Directors. Before the convening of the Shareholders' general meeting, the candidates for Directors shall provide written undertakings accepting the nomination and shall confirm that the information publicly disclosed is true and complete, and that they will discharge their duties as a Director upon election. Directors shall be elected or changed at the Shareholders' general meeting and serve a term of 3 years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. List of candidates for Directors shall be proposed to the Shareholders' general meeting in form of a proposal. With respect to the proposal for election of Directors shall be made separately at the shareholders' general meeting. Managers and other senior management may hold a concurrent post as a Director. A Director does not need to hold shares of the Company.

During the Reporting Period, the Nomination Committee held one meeting to (i) review the structure, size and composition of the Board; (ii) assess the independence of the independent non-executive Directors to determine their eligibility; (iii) review the diversity policy of the Board; and (iv) consider Ms. Wang Ying's biographic, background and board diversity policy of the Company and recommend Ms. Wang Ying to the Board as an executive Director.

Remuneration Committee

The Board established the Remuneration Committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.34 of the GEM Listing Rules and code provision B.1 of the CG Code. The primary duties of the Remuneration Committee include (but are not limited to): (i) making recommendations to the Directors regarding the Group's policy and structure for the remuneration of all Directors and the senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and the senior management of the Group; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The Remuneration Committee consists of one non-executive Director, being Mr. Qian Cheng and two independent non-executive Directors, being Mr. Liu Shengwen and Mr. Hon Leung. The Remuneration Committee is chaired by Mr. Liu Shengwen.

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

CORPORATE GOVERNANCE REPORT

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

REMUNERATION POLICY

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committees meetings and general meetings of the Company held during the Reporting Period is set out in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Extraordinary General Meeting	Annual General Meeting
Executive Directors						
Mr. Li Peng (李鵬)	26/26	N/A	N/A	N/A	1/1	1/1
Mr. Weng Jianxing (翁建興)	26/26	N/A	N/A	N/A	1/1	1/1
Ms. Wang Ying (王瑩) (Appointed on 15 May 2018)*	13/26	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Zhuang Wei (莊巍)	26/26	N/A	1/1	N/A	1/1	1/1
Mr. Qian Cheng (錢程)	26/26	N/A	N/A	2/2	1/1	1/1
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)*	8/26	N/A	N/A	N/A	0/1	0/1
Mr. Sun Luran (孫路然)	26/26	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Fung Che Wai Anthony (馮志偉)	26/26	4/4	1/1	N/A	1/1	1/1
Mr. Hon Leung (韓亮)	26/26	4/4	1/1	2/2	1/1	1/1
Mr. Liu Shengwen (劉升文)	26/26	4/4	N/A	2/2	1/1	1/1

* Ms. Hui Ying resigned as a non-executive Director on 22 March 2018, and Ms. Wang Ying was appointed as an executive Director on 15 May 2018. Therefore, Ms. Hui and Ms. Wang's attendances were calculated by actual attendances.

CORPORATE GOVERNANCE REPORT

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Reporting Period, the trainings attended by each of the current Directors are summarised as follows:

Name of Director	Attending in-house training organized by professional organizations	Reading materials updating new rules and regulations
Executive Directors		
Mr. Li Peng (李鵬)	√	√
Mr. Weng Jianxing (翁建興)	√	√
Ms. Wang Ying (王瑩) (Appointed on 15 May 2018)	√	√
Non-executive Directors		
Mr. Zhuang Wei (莊巍)	√	√
Mr. Qian Cheng (錢程)	√	√
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)*	×	√
Mr. Sun Luran (孫路然)	√	√
Independent Non-executive Directors		
Mr. Fung Che Wai Anthony (馮志偉)	√	√
Mr. Hon Leung (韓亮)	√	√
Mr. Liu Shengwen (劉升文)	√	√

* Ms. Hui Ying resigned as a non-executive Director on 22 March 2018. Therefore, Ms. Hui did not attend the in-house training held on 31 October 2018.

REQUIRED STANDARD OF DEALINGS

The Company has adopted a Code of Conduct on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all the Directors and the Supervisors, and all the Directors and the Supervisors have confirmed that they had complied with the Code of Conduct throughout the Reporting Period.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledged its responsibility of preparing the financial statements for the Reporting Period of the Company.

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

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

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

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

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

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the Reporting Period is set out below:

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

Non-audit service includes review service for the period ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

INFORMATION DISCLOSURE

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the GEM Listing Rules and the Securities and Futures Ordinance (the "**SFO**"), and adheres to the important principle of timely publication of inside information. The Company abides by the "Guide on disclosure of inside information" published by the Securities and Futures Commission of Hong Kong (the "**SFC**"), and has developed a complete system of internal procedures and information disclosure policy for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities. The Company is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the GEM Listing Rules. The Company conducts its affairs with close regard to the "Guidelines on Disclosure of inside Information" issued by the SFC. The Company also included in its information disclosure polices a strict prohibition on the unauthorised use of confidential or inside information. The Board will determine further escalation and appropriate handling the dissemination of inside information.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 28 May 2017, setting out the approach to achieve diversity within the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

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

CORPORATE GOVERNANCE REPORT

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

The Nomination Committee had reviewed and is satisfied with the current composition of the Board.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG MEMBERS OF THE BOARD

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions. During the Reporting Period, the Board has discharged the following corporate governance duties:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of the Directors and the senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct applicable to employees and the Directors; and

– to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board is the highest level of the risk management system, and is ultimately responsible for the overall risk management. During the Reporting Period, the Board conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources used for the Group's accounting principal and financial report, staff qualifications and experience, training programmes, financial budget and financial account of the Group, and policies of the risk management and internal control systems. The Board considered the risk management and internal control systems is effective and adequate in all material aspects in both design and operations. Although the Board has exercised its best efforts to perfect the Group's risk management and internal control system, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and the Board can only provide reasonable but not absolute assurance against material misstatements or loss.

The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system. Further information of the Company's risk management process and features are set out below.

CORPORATE GOVERNANCE REPORT

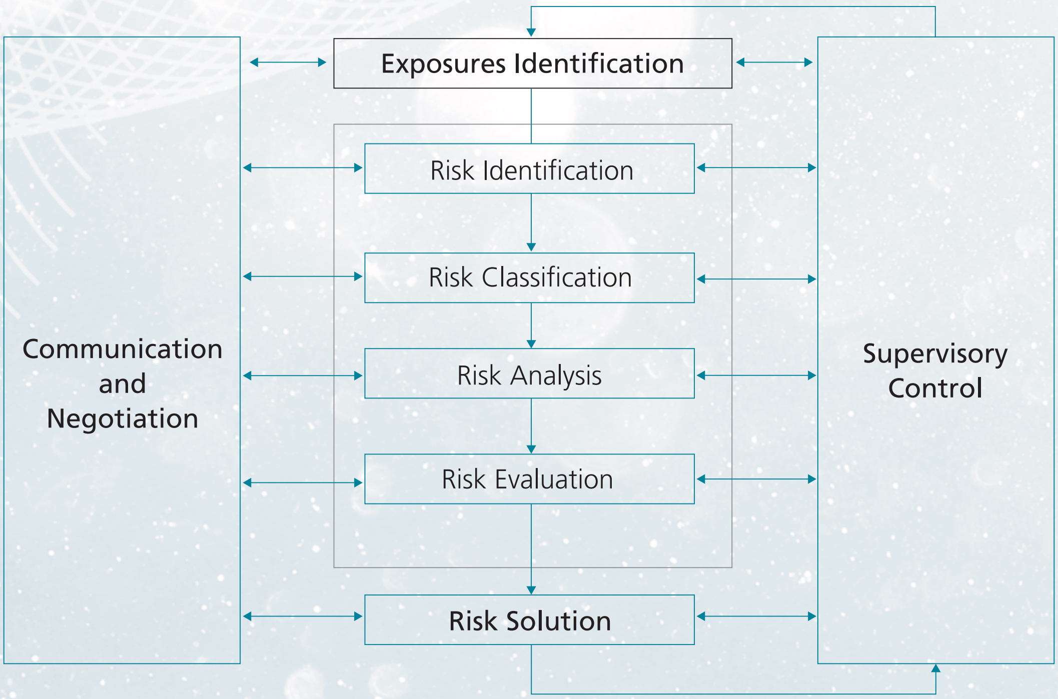
(A) the process used to identify, evaluate and manage significant risks;

The process should be:

- part of the management process;

- embedded in culture and specific work practices;

- making plans for the realization of business objectives in accordance with the Company's business process.



CORPORATE GOVERNANCE REPORT

(B) the main features of the risk management and internal control systems;

a. Risk management creates and protects value.

Risk management contributes to the achievement of clear objectives and the improvement of performance, for example, in the health and safety of personnel, public security, compliance with laws and regulations, public acceptance, environmental protection, product quality, project management, operational efficiency, governance and reputation.

b. Risk management is an integral part of all organizational processes.

Risk management is not an isolated activity separate from the company's main activities and processes. Risk management is the part of management responsibility and integration in all organizational processes, including strategic planning, all projects, and change management processes.

c. Risk management supports decision making.

Risk management can help decision makers make informed choices, prioritize measures, and identify the direction of action.

d. Risk management clearly solves the problem of uncertainty.

Risk management clearly describes uncertainty, the nature of uncertainty, and how to solve it.

e. Risk management should be systematic, structured and timely.

A systematic, timely and structured approach to risk management contributes to increased efficiency and consistent, measurable and reliable results.

(C) the process used to review the effectiveness of the risk management internal control systems;

To ensure effective risk management and continuous improvement of the Company's performance, the Company shall take actions as followings:

– risk management performance is measured based on parameters that are properly and regularly reviewed;

CORPORATE GOVERNANCE REPORT

- regularly measure the progress and deviation degree of the risk management plan;
- periodically review whether the risk management framework, policies and plans are still appropriate and effective based on the internal and external conditions of the Company;
- report on the progress of the risk management plan and how to implement the risk management policy;
- review the effectiveness of the risk management framework.

(D) to resolve material internal control defects;

Risk management involves the selection of one or more options for correcting risks and the implementation of those options. Once the program is implemented, treatment provides or improves control measures. Risk management involves a circular process:

- evaluating risk management;
- determining whether the degree of residual risk is tolerable;
- new risk management if not permitted;
- evaluating the effectiveness of the treatment. Risk management options need not be mutually exclusive or appropriate in all cases. The scheme may include the following:

  a. Avoiding risks by deciding not to carry out or stop activities that generate risks;

  b. Accepting or enhancing risks in order to seek opportunities;

  c. Eliminating sources of risk;

  d. Possibility of change;

  e. Changing the consequences;

  f. Sharing the risk with the other parties;

  g. Risk retention through fact-based decisions.

CORPORATE GOVERNANCE REPORT

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

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

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders' Rights to Propose Resolutions

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

CORPORATE GOVERNANCE REPORT

Shareholders' Right to Requisite a Meeting

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

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

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

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

Inquiry and Communication of Shareholders

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

The AGM will be held on Thursday, 25 April 2019.

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

CORPORATE GOVERNANCE REPORT

POLICY ON PAYMENT OF DIVIDENDS

The Company may distribute its dividend by means of: (i) cash; (ii) stocks. Domestic shares, unlisted foreign shares and H Shares shall enjoy equal rights to dividend or any other distribution. Any amount paid up in advance of calls on any shares may carry interest but shall not entitle such Shareholder to the dividend subsequently declared. The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign shares to receive on behalf of such Shareholders dividends declared and all other monies owing by the Company in respect of such shares. The receiving agents appointed by the Company shall meet the requirements of the laws or the relevant provisions of the stock exchanges in the place where the Company is listed. The receiving agents appointed on behalf of holders of H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong. Subject to the relevant laws, administrative regulations, rules and requirements of the Stock Exchange, the Company may exercise the right to confiscate unclaimed dividends, but such right shall be exercised only after the applicable time expires. The Company shall have the right to terminate the delivery of the dividend coupon through the postal service to a holder of H Shares, but the Company may only exercise such right after the dividend coupon is not cashed twice in succession. The Company may also exercise such right after the dividend coupon is not delivered to the recipient for the first time and was thus returned. The Company shall have the right to sell the shares held by a holder of H Shares who is not available for contact in such a way as is considered appropriate by the Board, but this shall observe the following conditions: (i) the Company has distributed dividend to relevant shares for at least three times within 12 years, during which the dividend is unclaimed; and (ii) after the 12-year period expires, the Company shall publish an announcement in newspapers, specifying the intent to sell the shares, and notify the Stock Exchange. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

CHANGE IN CONSTITUTIONAL DOCUMENTS

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

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS

To reflect and be consistent with the proposed amendments on the terms of references of the Board Committees, the Board proposed to make certain amendments to relevant provisions in the Articles of Associations for the purpose of further improving corporate governance (the "**Proposed Amendments**"). Please refer to the announcement of the Company dated on 28 February 2019 for details of the Proposed Amendments.

The Board considered that the Proposed Amendments are in the interests of the Company and the Shareholders.

The Proposed Amendments are subject to consideration and approval by the Shareholders at the AGM to be held on Thursday, 25 April 2019. A circular containing, among other things, the details of the Proposed Amendments will be despatched to the Shareholders on Thursday, 7 March 2019.

CORPORATE GOVERNANCE REPORT

COMPETING INTERESTS

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

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Dongxing Securities (Hong Kong) Company Limited ("**Dongxing Securities**") as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. As advised by Dongxing Securities, as at the date of this report, save for the compliance adviser agreement entered into between the Company and Dongxing Securities on 14 September 2016, Dongxing Securities or its directors, employees or close associates did not own any interest in the share capital of the Company or any member of the Group which had to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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

CHANGES IN PERSONAL PARTICULARS OF THE DIRECTORS

As at 31 December 2018, details of changes in personal particulars of the Directors which had to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules are set out below:

Name of Director: Mr. Liu Shengwen (劉升文)

Details of Changes: In July 2018, Mr. Liu resigned from Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所), Shenzhen Branch, and has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch since then.

Save as disclosed above, as at 31 December 2018, there were no other changes in the particulars of the Directors and Supervisors which had to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

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

Hong Kong, 28 February 2019

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors for the Reporting Period to the Shareholders.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregated sales of the Group to the top five customers accounted for 21.09% (2017: 34.57%) of the total income of the Group, and the sales of the Group to the largest customer accounted for 8.92% (2017: 10.71%).

For the Reporting Period, the aggregated purchases of the Group from the top five suppliers accounted for 16.36% (2017: 20.08%) of the total purchases of the Group, and the purchases of the Group from the largest supplier accounted for 4.98% (2017: 5.89%).

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

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 26 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

The annual results highlights of the Company and its subsidiaries for the Reporting Period and the latest five financial years are set out on page 4 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period as at that date are set out in the consolidated financial statements on page 84 to 156 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 6 to 7 of this annual report. A discussion on the key financial performance indicators of the Group for the Reporting Period is provided in the Management Discussion and Analysis on pages 8 to 15 of this annual report. The review and discussion thereof form part of this Report of the Directors.

REPORT OF THE DIRECTORS

INDUSTRY FACTORS

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

RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in this annual report and details of reserves distributable to the Shareholders are set out in note 27 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in properties, plant and equipment of the Group for the Reporting Period are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

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

DIVIDEND

The Board proposed the payment of the Final Dividend for the Reporting Period of RMB0.05 per ordinary share (tax inclusive) (2017: RMB0.02).

CUSTOMER SATISFACTION

The Directors regard customer satisfaction as one of most important factors for success. During the Reporting Period, the Group did not have any case of customer complaint on record.

SUFFICIENCY OF THE PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

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

CONTRACTS OF SIGNIFICANCE

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

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The following table sets forth the information relating to the Directors and the Supervisors during the Reporting Period and up to the date of this report.

Name	Age	Position	Appointment date
Mr. Li Peng (李鵬)	55	Executive Director and general manager	28 September 2012
Mr. Weng Jianxing (翁建興)	41	Executive Director and risk management director	9 June 2016
Ms. Wang Ying (王瑩)	30	Executive Director and the Board secretary, the head of finance department and a joint company secretary of the Company	15 May 2018
Mr. Zhuang Wei (莊巍)	52	Non-executive Director and chairman of the Board	28 September 2012
Mr. Qian Cheng (錢程)	45	Non-executive Director	28 September 2012
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)	37	Non-executive Director	9 June 2016
Mr. Sun Luran (孫路然)	26	Non-executive Director	12 April 2016
Mr. Fung Che Wai Anthony (馮志偉)	50	Independent non-executive Director	21 April 2017
Mr. Hon Leung (韓亮)	36	Independent non-executive Director	21 April 2017
Mr. Liu Shengwen (劉升文)	42	Independent non-executive Director	21 April 2017
Mr. Tian Xiuju (田秀舉)	31	Chairman of the Supervisory Committee	11 August 2015
Mr. Liu Bing (劉兵)	46	Employee representative Supervisor	7 July 2015
Mr. Zhu Xiaodong (朱曉東)	46	Shareholders representative Supervisor	11 August 2015

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 16 to 20 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

REPORT OF THE DIRECTORS

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

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

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Emoluments paid or payable to members of the senior management of the Company were within the following band:

	Number of individual(s)	
	2018	2017
Nil to HK$1,000,000	**3**	3

No Director, Supervisor, and senior management had waived or had agreed to waive any emoluments during the Reporting Period.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

BANK BORROWINGS

Details of bank borrowings of the Group as at 31 December 2018 are set out in note 22 to the consolidated financial statements.

MAJOR RISKS AND UNCERTAINTIES

The Group's financial situation, operating results and business prospects may be directly or indirectly affected by a number of risks and uncertainties including business risks, operational risks, financial risks and changes of local laws and regulations in the jurisdictions in which it operates. Details of relevant risk factors are set out in the section headed "Risk Factors" in the Prospectus. The Group and the Directors recognise the importance of effective risk management and strive to mitigate the risks and uncertainties which it faces. Details of the Board's approach to limit such risks are set out in the section headed "Risk Management and Internal Control" under the "Corporate Governance Report" of this report. During the Reporting Period, the Group did not suffer losses due to material breach on finance leasing and factoring business.

COMPLIANCE WITH LAWS AND REGULATIONS

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

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, to the best information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

Finance leasing service to Longding Huayuan

On 20 December 2015, the Company entered into a finance leasing agreement with Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司) ("**Longding Huayuan**") (as supplemented by supplemental agreements dated 20 December 2015 and 25 May 2016, respectively) (the "**Finance Leasing Agreement**"), pursuant to which the Company agreed to purchase certain elevators and intelligent security system (the "**Equipments**") from the equipment supplier and lease the Equipments to Longding Huayuan for a term of 35 months commencing from 24 December 2015, being the date of payment of the first instalment of the purchase price of the Equipments from the Company to the equipment supplier, and for a term of 30 months commencing from 23 March 2016, being the date of payment of the second instalment of the purchase price of the Equipments from the Company to the equipment supplier. The total amount payable by Longding Huayuan under the Finance Leasing Agreement is RMB8,516,870, of which RMB7,520,040 being the repayment of the purchase price of the Equipments paid by the Company to the equipment supplier, approximately RMB144,838.52 being the VAT payable for the finance lease income and the remaining balance of RMB851,991.45 being the finance lease income (exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Leasing Agreement. Upon settlement of the entire amount of the finance lease receivable under the Finance Leasing Agreement, the ownership of the Equipments will be transferred to Longding Huayuan. Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial Shareholder of the Company who is interested in 80,000,000 domestic shares, representing approximately 22.26% of the total number of issued Shares as at the date of this report, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Finance Leasing Agreement constitutes continuing connected transactions for the Company under chapter 20 of the GEM Listing Rules.

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

REPORT OF THE DIRECTORS

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

Factoring service to Longding Huayuan

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

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

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

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Longding Huayuan and its ultimate beneficial owner are independent third parties as at the date the Factoring Agreement was entered into.

Save as disclosed above, the Directors consider that the related party transactions with Shanshan as disclosed in item (a) of the note headed "28. Related Party Transactions" in the Notes to the Consolidated Financial Statements in this report do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules, and therefore the Company is not required to comply with the disclosure requirements under Chapter 20 of the GEM Listing Rules for such related party transactions.

Save as disclosed in this report, the Company did not enter into any other related party transaction, connected transaction or continuing connected transaction during the Reporting Period.

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

DONATION

No charitable and other donations were made by the Group during the Reporting Period (2017: RMB nil).

REPORT OF THE DIRECTORS

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

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

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

PRE-EMPTIVE RIGHTS

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

PENSION SCHEME

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no significant events that may affect the business operation and/or the financial position of the Group after the Reporting Period.

AUDIT COMMITTEE

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

AUDITOR

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

REPORT OF THE DIRECTORS

DISCLOSURE OF INTEREST

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

As at 31 December 2018, to the best knowledge of the Directors, the following persons or corporations (other than the Directors, Supervisors or chief executives of the Company) had or were deemed to have interests or short position in the shares and underlying shares of the Company which had to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO and were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company [1]	Percentage (approximate)	Number of shares held in the total share capital of the Company [1]	Percentage (approximate)
Shanshan HK [2] [3] [4] [5]	Unlisted foreign shares	Beneficial owner	149,500,000 (L)	100%	149,500,000 (L)	41.60%
Shanshan [2]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Group [3]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Yonggang [4]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Holding [5]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company [1]	Percentage (approximate)	Number of shares held in the total share capital of the Company [1]	Percentage (approximate)
Qinggang Investment [6]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Mr. Zheng Yonggang [7]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ms. Zhou Jiqing [7]	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Dayuan Tiandi [8]	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua [8]	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang [8]	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio [9]	H Shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
KKC Capital Limited [10]	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Tiger Capital Fund SPC – Tiger Global SP [11]	H Shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company (1)	Percentage (approximate)	Number of shares held in the total share capital of the Company (1)	Percentage (approximate)
A Plus Capital Management Limited (11)	H Shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
Full House Asset Management Company Limited (12)	H Shares	Investment manager	12,718,000 (L)	14.16%	12,718,000 (L)	3.54%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. As at 31 December 2018, the Company issued a total of 359,340,000 Shares, including 120,000,000 domestic Shares, 89,840,000 H Shares and 149,500,000 unlisted foreign Shares.

(2) Shanshan was a joint stock limited company established in the PRC whose shares were listed on the Shanghai Stock Exchange (Stock Code: 600884) and was the sole shareholder of Shanshan HK. Shanshan was also indirectly interested in 40% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which was the general partner of Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)) ("**Nantong Shanshan**"). By virtue of the SFO, Shanshan was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(3) Shanshan Group holds 23.79% of the registered share capital of Shanshan, and (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(4) Ningbo Yonggang was interested in 11.94% of the registered share capital of Shanshan Group, which (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(5) Shanshan Holding directly held approximately 16.09% of the registered share capital of Shanshan and indirectly held approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding was interested in 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly held 61.84% and indirectly held 11.94% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(6) Qinggang Investment owned approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment was deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(7) Qinggang Investment was owned as to 51% by Mr. Zheng Yonggang and 49% by Ms. Zhou Jiqing. By virtue of the SFO, Mr. Zheng Yonggang and Ms. Zhou Jiqing were deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

(8) Dayuan Tiandi was owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang were deemed to be interested in the Shares held by Dayuan Tiandi.

(9) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio as a beneficial owner.

REPORT OF THE DIRECTORS

(10) According to the information available on the website of the Stock Exchange, 9,408,000 H Shares were held by KKC Capital Limited as an investment manager.

(11) According to the information available on the website of the Stock Exchange, 9,318,000 H Shares were held by Tiger Capital Fund SPC – Tiger Global SP as a beneficial owner and Tiger Capital Fund SPC – Tiger Global SP was directly wholly owned by A Plus Capital Management Limited.

(12) According to the information available on the website of the Stock Exchange, 12,718,000 H Shares were held by Full House Asset Management Company Limited as an investment manager.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person or corporation which had any interest or short position in the shares or underlying shares of the Company which was required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of the Part XV of the SFO, or is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or interested in any share option in connection with such capital.

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

As at 31 December 2018, the Directors, the Supervisors or the chief executive of the Company had an interest and short position 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 had to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or interest and short position which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules as follows:

Interest in the associated corporation (long position)

Name	Associated corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
Mr. Zhuang Wei	Shanshan Holding	Interest of a controlled corporation	22,000,000	2.20

Note: Mr. Zhuang Wei is deemed to be interested in the shares of Shanshan Holding held by Longyou Shunlong Investment Co., Ltd. (龍游順龍投資有限公司), which is a corporation wholly owned by Mr. Zhuang Wei. Shanshan Holding is a controlling Shareholder of the Company.

Saved as disclosed above, none of the Directors, Supervisors and chief executive of the Company had an interest and short position which had to be recorded in the register mentioned in Section 352 of the SFO, or interest and short position which had to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors and supervisors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS OF THE COMPANY

During the Reporting Period, the Group had implemented the following measures to achieve the business objectives set out in the Prospectus. The Group will continue to apply such measures and strategies in 2019 in order to sustain its rapid growth.

1. The Group continued to develop its finance leasing business in traditional industries such as the electronics and fast-moving consumer goods industries. The Group also focused and intensified its efforts in developing the emerging medical, alternative energy and transportation industries while conducting proper risk management and maintaining its asset quality.

2. The Group further expanded its finance leasing business and improved its market share as a non-bank financial services provider. Up to 31 December 2018, the Group had 1,899 finance leasing transactions (2017: 1,191 transactions) in various industries.

3. As a part of the Group's efforts to cultivate and enhance the knowledge and capabilities of its work force, as well as its endeavors to provide high quality professional services, the Group had provided training programs for the management team and its business and risk management managers to enhance their industry knowledge and keep them abreast of updates to the industries.

4. The Group had upgraded its information technology systems to monitor and control the condition of assets more closely, improve the finance project management and enhance the Company's overall asset monitoring.

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

Shenzhen, the PRC, 28 February 2019

REPORT OF THE SUPERVISORY COMMITTEE

In 2018, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, the Articles of Association, the rules of procedures of the Supervisory Committee and the GEM Listing Rules.

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

I. MEETINGS OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held four meetings in total. Such meetings were held in compliance with the requirements of relevant regulations and the Articles of Association and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

- Review of the annual report of 2017, the first quarterly report, the interim report and the third quarterly report for 2018.

- Review of the financial budget plan for 2017, the resolution on profit and dividend distribution plan for 2017 and the financial budget proposal for 2018.

- Considering and approving the work report of the Supervisory Committee for 2017.

As at 31 December 2018, members of the Supervisory Committee attended and observed all general meetings and Board meetings in accordance with laws and monitored the matters considered at the Board meetings and general meetings and the compliance with laws and regulations of procedures. During the Reporting Period, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2018 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2018 and the financial performance and cash flow in 2018.

REPORT OF THE SUPERVISORY COMMITTEE

2. Related party transaction

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

3. Internal control

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

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to all such reports and resolutions submitted by the Board to the general meetings of the Shareholders for consideration and approval in 2018. The Supervisory Committee supervised the implementation of the resolutions of the general meetings of the Shareholders and considered that the Board had prudently implemented the resolutions of the general meetings of the Shareholders.

5. Operations in Compliance with Laws and Regulations

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

FY Financial (Shenzhen) Co., Ltd.
Supervisory Committee
28 February 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND LIMITATION OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the disclosures requirements under the "comply or explain" provisions of the GEM Listing Rules Appendix 20 "Environmental, Social and Governance Reporting ("**ESG**") Guide" (the "**ESG Guide**") of the GEM Listing Rules, this environmental, social and governance report (the "**ESG Report**") covers the overall performance of the Group in environmental, social and governance aspects during the period from 1 January 2018 to 31 December 2018. The ESG Guide content index that is referred to in this ESG Report is set out in the Appendix to this ESG Report on pages 67 to 72 of this report. The Company had complied with the "comply or explain" provisions of the GEM Listing Rules during the Reporting Period.

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

ESG Aspects	Issues
Environmental	– Emissions
	– Use of resources
	– The environment and natural resources
Employment and labor practices	– Employment
	– Health and safety
	– Development and training
	– Labor standard
Operating practices	– Supply chain management
	– Product responsibility
	– Anti-corruption
Community	– Community investments

For details about corporate governance, please refer to the "Corporate Governance Report" set out on pages 21 to 36 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INFORMATION AND FEEDBACK

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

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

INFORMATION ON STAKEHOLDERS

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

This ESG Report was approved by the Board on 28/02/2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

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

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

Goals

– Reducing emission of carbon dioxide

– Reducing consumption of resources

– Reducing production of waste

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

EMISSION

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

As at 31 December 2018, the Group had two vehicles which travelled 37,668 km (2017: 39,998 km) in total. Total emission of nitrogen oxides and sulfur dioxide amounted to 33,336.18 g/km (2017: 35,398.23 g/km) and 51.36 g/km (2017: 56.87 g/km) respectively. Particle emission amounted to 3,194.25 g/km (2017: 3,391.83 g/km) while carbon dioxide emission amounted to 8,383.34 kg (2017: 9,283.15 kg). As per the nature of business of the Group, all employees took public transport to customers' companies and vehicles of the Group were used only in case of emergency. The vehicles were monitored and inspected by the system on a regular basis to keep them in the best conditions in order to increase fuel consumption efficiency and ensure road safety.

The employees took aircrafts for business trips for 609 times (2017: 572 times) and the total carbon dioxide from air travel amounted to 68,108.9 kg (2017: 64,332.2 kg). The Group has adopted a policy of emission reduction, (i) the employees only took aircrafts for business trips when necessary; and (ii) the Group arranges phone or video conference instead of face-to-face meetings to reduce emissions from transportation.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

USE OF RESOURCES

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

The Group also embraces its responsibility in environmental protection throughout the course of office administration and daily operation. Apart from adhering to the principle of recycling and reducing use, the Group is committed to creating green offices to minimize the impact on the environment. In light of the nature of the business of the Group, the consumption of energy, electricity, water and other natural resources in the offices are limited. Power consumed by the Group for the Reporting Period amounted to 99,608 kWh (2017: 67,022 kWh) and total carbon dioxide emission amounted to 32,328 kg (2017: 24,942 kg), mainly due to daily consumption in the offices. Since the total number of employee of the Group has increased during the Reporting Period, the increase in power consumed and total carbon dioxide emission will be considered acceptable.

Below are measures taken by the Group in saving energy:

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

As per the business nature of the Group, water consumption is very limited, mainly daily water consumption by the employees in offices during business hours. The domestic sewage of the Group does not include hazardous wastewater and is directly discharged to the municipal sewer pipeline. In order to reduce wastewater, employees of the Group are encouraged to save water, and since the total number of employee has increased during the Reporting Period, water consumption caused by the financial leasing business in Shenzhen and Beijing Shan Shan Medical Technology Development Co., Ltd. ("**Beijing Medical**") amounted to 1,194 m^3 (2017: 503.9 m^3).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DATA ON GREENHOUSE GAS EMISSION

KPI 1.2 & 2.1		Unit	Data
Scope 2	Vehicles	37,668 km	CO_2: 8,383.34 kg
	Power consumption	99,608 kWh	CO_2: 32,328 kg
Scope 3	Business trips by aircrafts	609 times	CO_2: 68,108.9 kg
Total			Total CO_2: 108,820.24 kg (2017: 98,557.35 kg)

PRODUCTION OF WASTE

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

Employment and Labor Practices

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

Goal

To attract, train, motivate and retain suitable talents.

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

Employment

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee structure

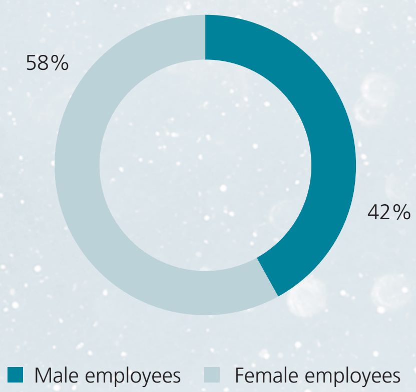
As at 31 December 2018, the Group had a total of 134 employees (2017: 101 employees), with the employee structure as follows:

Age Group	Male employee	Female employee	Total
18 to 25	8	10	18
26 to 35	45	44	89
36 to 45	15	6	21
46 to 55	3	1	4
56 to 65	2	0	2
Total	73	61	134*

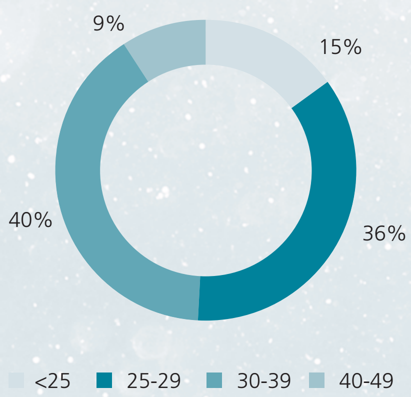
* All employees are permanent staff.

A total of 33 employees (2017: 65 employees) left the Group in 2018, with statistics of such employees as follows:

Turnover Rate by Gender



Turnover Rate by Age Group



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To Attract and Retain Talents

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

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

Benefits and Vacation

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

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

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

Inclusion

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

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

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

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

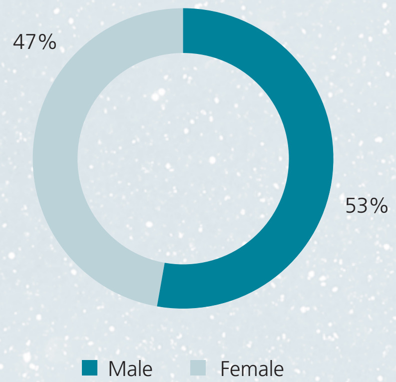
Development and Training

The Group always puts great emphasis on talent training and believes that employees' skills and experience are essential to promoting the long-term development of the Group. Continuing education is one of the effective ways to maintain employees' competitiveness in the industry. Therefore, the Group annually formulates annual training plan with an aim to enhance employees' performance through effective training, counselling and in-service development. Total training hours were 324 (2017: 154.5), and the average training hours for each male and female employee were 1.4 and 1.9 respectively. The trainings cover various topics, including but is not limited to, factoring business knowledge, asset management, business process, qualification training for secretaries of the board of listed issuers and internal control training for new employees.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Distribution of Employees who Receive Training by Gender



Criteria of Employment

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operational Practices

Supply Chain Management

Objectives

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

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

Although most of its medical suppliers are designated by customers, the Group has formulated written policies and guidance to monitor suppliers' performance regularly in order to track their service quality more effectively. The Group will cease cooperation with suppliers who fail to meet the its service quality standards.

Product liability

Objectives

– To protect customers' information

– To keep customers free of worries

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

- employees must have a sense of confidentiality and definitely do not ask, say or look at anything that they should not;

- talking about or transmitting the Company's confidential matters in public places, via public telephones or public network platforms is strictly prohibited;

- without the consent of the meeting organizers, employees may not take photos, record or reproduce the confidential matters, and strict punishment will be imposed once discovered;

- may not throw away drafts, first drafts or outdated documents at discretion. If there is no retention value, such documents should be destroyed in a timely manner. Such documents should be treated as final drafts and be handled according to confidentiality principles and requirements;

- documents containing sensitive information of the customers or the Company should be kept by specified personnel of each department. Unless necessary, such information should not be transmitted to other departments.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

Objectives

– No bribery, extortion and fraud

– Anti-corruption and anti-money laundering

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

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

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

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

Community Investment

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
B. Social			
Aspect B1: Employment			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment	
B1.1 Total workforce by gender, employment type, age group and geographical region		Employment	
B1.2 Employee turnover rate by gender, age group and geographical region		Employment	
Aspect B2: Health and Safety			
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Health and safety	
B2.1 Number and rate of work-related fatalities		Not applicable	
B2.2 Lost days due to work injury		Not applicable	
B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored		Health and safety	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
B. Social			
Aspect B7: Anti-corruption			
General Disclosure		Anti-corruption	
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.			
B.7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases		Not applicable	During the Reporting Period, there was no legal action against the Group and the employees of the Group for corruption.
B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored		Anti-corruption	
Aspect B8: Community Investment			
General Disclosure		Community investment	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			
B8.1 Focus areas of contribution		No disclosure is required	
B8.2 Resources contributed to the focus area		No disclosure is required	

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of the Group set out on pages 78 to 156 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for year then, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Allowance for impairment of accounts receivable

The Group's accounts receivable consists of lease receivables, lease interest receivables, factoring receivables and trade receivables, and accounted for 86.5% of the Group's total assets. The assessment of impairment of accounts receivable under the expected loss model is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group assesses the expected credit loss ("**ECL**") according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The disclosures of the allowance for impairment of accounts receivable and the related credit risk are included in notes 15 and 34(a) to the consolidated financial statements.

Our response:

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 28 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Revenue	7	155,529,390	122,739,198
Direct costs		(53,523,308)	(44,362,671)
Gross profit		102,006,082	78,376,527
Other income and gains	7	5,109,767	2,838,184
Operating expenses		(17,352,547)	(12,223,289)
Administrative expenses		(30,653,420)	(25,266,648)
Impairment loss on accounts receivable, net		(4,483,267)	(4,907,614)
Listing expenses		—	(9,400,117)
Profit before income tax	8	54,626,615	29,417,043
Income tax expense	9	(14,423,915)	(8,728,034)
Profit and total comprehensive income for the year		40,202,700	20,689,009
Earnings per share:	10		
Basic and diluted		0.11	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**1,629,680**	610,441
Accounts receivable	15	**470,579,459**	588,345,948
Restricted bank deposits		**19,909,422**	–
Deferred tax assets	16	**6,890,863**	4,772,528
		499,009,424	593,728,917
Current assets			
Inventory		**530,172**	–
Accounts receivable	15	**801,133,465**	674,951,626
Prepayments, deposits and other receivables	17	**34,522,689**	26,392,929
Restricted bank deposits		**2,320,924**	–
Structured bank deposit	18	**60,000,000**	–
Cash and cash equivalents	19	**72,677,833**	35,007,495
		971,185,083	736,352,050
Current liabilities			
Bills payable		**2,051,000**	–
Other payables and accruals	20	**74,909,175**	60,652,839
Receipts in advance	21	**3,473,772**	2,711,801
Contract liabilities		**919,200**	–
Amount due to an intermediate holding company		**236,000,000**	–
Tax payables		**3,514,621**	4,016,526
Interest-bearing bank borrowings	22	**463,376,569**	694,305,147
		784,244,337	761,686,313
Net current assets/(liabilities)		**186,940,746**	(25,334,263)
Total assets less current liabilities		**685,950,170**	568,394,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Non-current liabilities			
Receipts in advance	21	**3,773,935**	3,200,769
Deposits from finance lease customers and suppliers	23	**118,327,066**	140,950,616
Interest-bearing bank borrowings	22	**107,950,756**	–
		230,051,757	144,151,385
Net assets		**455,898,413**	424,243,269
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**359,340,000**	359,340,000
Reserves	27	**96,558,413**	64,903,269
Total equity		**455,898,413**	424,243,269

On behalf of Directors

LI Peng (李鵬) WENG Jianxing (翁建興) WANG Ying (王瑩)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB	Merger reserve* RMB (note 27(a))	Capital reserve* RMB (note 27(b))	Statutory reserve* RMB (note 27(c))	(Accumulated loss)/ Retained profits* RMB	Total equity RMB
At 1 January 2017	269,500,000	1,582,035	26,667,317	2,578,936	8,956,450	309,284,738
Profit and total comprehensive income for the year	—	—	—	—	20,689,009	20,689,009
Appropriation to statutory reserve	—	—	—	3,129,490	(3,129,490)	—
Transactions with owners:						
Issuance of H Shares	89,840,000	—	13,951,150	—	—	103,791,150
Share issue expenses	—	—	(9,521,628)	—	—	(9,521,628)
	89,840,000	—	4,429,522	3,129,490	17,559,519	114,958,531
At 31 December 2017 as originally presented	359,340,000	1,582,035	31,096,839	5,708,426	26,515,969	424,243,269
Initial application of HKFRS 9	—	—	—	—	(1,360,756)	(1,360,756)
Restated at 1 January 2018	359,340,000	1,582,035	31,096,839	5,708,426	25,155,213	422,882,513
Profit and total comprehensive income for the year	—	—	—	—	40,202,700	40,202,700
Appropriation to statutory reserve	—	—	—	3,761,321	(3,761,321)	—
Dividends	—	—	—	—	(7,186,800)	(7,186,800)
At 31 December 2018	359,340,000	1,582,035	31,096,839	9,469,747	54,409,792	455,898,413

* The aggregate balances of these reserve amounting of RMB96,558,413 (2017: RMB64,903,269) are included as reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB	2017 RMB
Cash flows from operating activities			
Profit before income tax		**54,626,615**	29,417,043
Adjustments for:			
Bank interest income		**(2,683,051)**	(105,335)
Depreciation of plant and equipment		**344,415**	266,729
Interest income from available-for-sale financial assets		**—**	(519,230)
Interest income from short-term investments		**—**	(382,627)
Impairment losses on accounts receivable, net		**4,483,267**	4,907,614
Loss on modification of accounts receivable		**2,675,386**	629,912
Loss on disposal of plant and equipment		**992**	5,316
Operating profits before working capital changes		**59,447,624**	34,219,422
Increase in inventory		**(530,172)**	—
Increase in accounts receivable		**(16,934,759)**	(359,721,090)
(Increase)/decrease in prepayments, deposits and other receivables		**(5,576,554)**	5,897,409
Increase in bills payable		**2,051,000**	—
Increase in other payables and accruals		**14,439,261**	6,294,314
Increase in contract liabilities		**736,276**	—
Increase in receipts in advance		**1,335,137**	5,482,056
(Decrease)/increase in deposits from finance lease customers and suppliers (non-current portion)		**(22,623,550)**	20,395,034
Cash generated from/(used in) operations		**32,344,263**	(287,432,855)
Interest received		**129,845**	105,335
Income tax paid		**(17,044,155)**	(7,083,059)
Net cash generated from/(used in) operating activities		**15,429,953**	(294,410,579)
Cash flows from investing activities			
Increase in structured bank deposit		**(60,000,000)**	—
Increase in pledged bank deposits		**(22,230,346)**	—
Purchase of available-for-sale financial assets		**—**	(1,702,507,000)
Proceeds from disposal of available-for-sale financial assets		**—**	1,702,507,000
Purchase of short-term investments		**—**	(532,405,000)
Proceeds from disposal of short-term investments		**—**	532,405,000
Interest received from available-for-sale financial assets		**—**	519,230
Interest received from short-term investments		**—**	382,627
Proceeds from disposal of plant and equipment		**—**	2,300
Purchases of plant and equipment		**(1,364,647)**	(63,227)
Net cash (used in)/generated from investing activities		**(83,594,993)**	840,930

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB	2017 RMB
Cash flows from financing activities			
Increase in amount due to an intermediate holding company	29	**236,000,000**	—
Proceeds from issuance of H shares		—	103,791,150
Share issue expenses		—	(9,521,628)
Proceeds from interest-bearing bank borrowings	29	**366,894,625**	584,400,000
Repayment of interest-bearing bank borrowings	29	**(489,872,447)**	(391,011,312)
Dividend paid		**(7,186,800)**	—
Net cash generated from financing activities		**105,835,378**	287,658,210
Net increase/(decrease) in cash and cash equivalents		**37,670,338**	(5,911,439)
Cash and cash equivalents at beginning of year		**35,007,495**	40,918,934
Cash and cash equivalents at end of year		**72,677,833**	35,007,495
Analysis of cash and cash equivalents:			
Cash at banks and in hand		**72,677,833**	35,007,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE INFORMATION

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

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC.

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

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2018 *(Continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. HKFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

HKFRS 9 basically retained the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial asset is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**") (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) SPPI criterion. Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 January 2018 as follow:

	RMB
Retained profits	
Retained profits as at 31 December 2017	26,515,969
Increase in expected credit losses ("**ECLs**") in accounts receivable (note 2A(ii) below)	(1,360,756)
Restated retained profits as at 1 January 2018	25,155,213

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(i) Classification and measurement of financial instruments *(Continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB	Carrying amount as at 1 January 2018 under HKFRS 9 RMB
Accounts receivable	Loans and receivables	Amortised cost	1,263,297,574	1,261,936,818
Other receivables	Loans and receivables	Amortised cost	1,098,047	1,098,047
Cash and cash equivalents	Loans and receivables	Amortised cost	35,007,495	35,007,495

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has measured loss allowances for finance lease receivables and trade receivables based on lifetime ECLs. For factoring receivables, the Group measures the loss allowance equal to 12-month ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The measurement of ECLs reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group considers a financial asset to be in default when: (1) 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 (2) the financial asset is more than 180 days past due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Impact of the ECLs model

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	RMB
Loss allowance as at 1 January 2018 under HKAS 39	19,222,110
Additional impairment recognised for accounts receivable	1,360,756
Loss allowance as at 1 January 2018 under HKFRS 9	20,582,866

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

A. HKFRS 9 Financial Instruments *(Continued)*

(iv) Transition *(Continued)*

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition as the Group's finance lease income and factoring income are not within the scope of HKFRS 15. Details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the advisory services income, commission income and revenue from sales of goods provided by the Group are set out below:

(i) Revenue for the provision of advisory services and commission income is recognised at point in time when the services have been rendered. Invoices for these service income are issued on completion of services. HKFRS 15 did not result in significant impact on the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

B. HKFRS 15 Revenue from Contracts with Customers *(Continued)*

(ii) For revenue from sales of goods and provision of maintenance services provided by the Group, the Group entered one contract with the customer and performed two performance obligations. After the adoption of HKFRS 15, the total transaction price receivable from customers is allocated among all identified performance obligations of the Group in proportion to their respective standalone selling price. The Group determined that revenue from sales of goods is recognised at point in time when the goods are delivered to and have been accepted. For the performance obligation related to the maintenance services, revenue will be recognised over time as those services are provided. HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the Reporting Period.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2018 has not been restated.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)
The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

Amendments to HKAS 40, Investment Property – Transfers of Investment Property
The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that 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 thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[2]
Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for transactions that occur on or after 1 January 2020

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

5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

HKFRS 16 – Leases

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

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

The Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2018 are RMB2,604,665 (2017: RMB3,619,826). The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their financial statements.

Amendments to HKFRS 3 – Definition of a business

The amendments improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies.

(c) Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(a) Basis of consolidation *(Continued)*

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

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

(b) Subsidiaries

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

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

(c) Plant and equipment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(c) Plant and equipment *(Continued)*

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

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

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

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

(d) Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)A Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for finance lease receivables and trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For factoring receivables and other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) 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 (2) the financial asset is more than 180 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including bills payable, other payables and accruals, borrowings and amount due to an intermediate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iv) Effective interest method

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

(v) Equity instruments

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

The Companies Ordinance came into operation on 3 March 2014. Under the Companies Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Companies Ordinance.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)B Financial instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

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

Loans and receivables

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

(ii) Impairment loss on financial assets

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

Evidence of impairment may include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

For loans and receivables

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(e)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(vi) Derecognition

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

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

(f) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(f) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(i) Revenue for the provision of advisory services and commission income is recognised at point in time when the services have been rendered. Invoices for these service income are issued on completion of services. HKFRS 15 did not result in significant impact on the Group's accounting policies.

(ii) For revenue from sales of goods and provision of maintenance services provided by the Group, the Group entered one contract with the customer and performed two performance obligations. After the adoption of HKFRS 15, the total transaction price receivable from customers is allocated among all identified performance obligations of the Group in proportion to their respective standalone selling price. The Group determined that revenue from sales of goods is recognised at point in time when the goods are delivered to and have been accepted. For the performance obligation related to the maintenance services, revenue will be recognised over time as those services are provided. HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, if there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset. No contract asset is recognised upon transition and at the end of the reporting period.

(iii) Other income

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

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer. Finance leases income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease. Service income is recognised when the service have been rendered. Commission income is recognised when the transaction on which the commission is calculated is completed. Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Contract liabilities (accounting policies applied from 1 January 2018)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(g) Borrowing costs

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

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

(h) Cash and cash equivalents

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

(i) Income taxes

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

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

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

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

(j) Foreign currency

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(k) Employee benefits

(i) Retirement benefit costs

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

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

(ii) Short-term employee benefits

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

(l) Impairment of non-financial assets

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

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(m) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(n) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

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

(i) Provision for bad and doubtful receivables

Before the adoption of HKFRS 9, provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgement and estimates. The management measures and monitors the asset quality of the receivables portfolio by classifying the receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. Based on the guidelines, receivables classified in the first two categories of the five categories, i.e., Pass and Special Mention are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while receivables in the remaining three categories, i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back of in the period in which such estimate is made.

Since the adoption of HKFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on accounts receivable based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degrees of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(i) Provision for bad and doubtful receivables *(Continued)*

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

- Classification between finance leasing and operating leasing

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

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

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

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

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

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

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

- Income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION

(a) Reportable segments

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

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

- The financial and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) advisory services and (e) customer referral.

- The trading operation business comprises primarily import and domestic trade of medical equipment, as well as the provision of maintenance services primarily within the medical equipment industry.

	Financial and advisory business		Trading operation business		Total	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB	2018 RMB	2017 RMB
Revenue from external customers	132,596,085	97,897,982	22,933,305	24,841,216	155,529,390	122,739,198
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	132,596,085	97,897,982	22,933,305	24,841,216	155,529,390	122,739,198
Reportable segment profit/(loss)	55,675,264	36,384,995	(1,048,649)	2,432,165	54,626,615	38,817,160
Interest revenue	2,674,863	1,004,957	8,188	2,235	2,683,051	1,007,192
Interest expense	32,800,295	22,380,822	–	–	32,800,295	22,380,822
Depreciation	339,516	261,380	4,899	4,899	344,415	266,729
Impairment loss on accounts receivable, net	4,419,847	4,775,614	63,420	132,000	4,483,267	4,907,614
Income tax expense	14,427,237	8,289,318	(3,322)	438,716	14,423,915	8,728,034
Reportable segment assets	1,437,392,170	1,301,478,285	32,802,337	28,602,682	1,470,194,507	1,330,080,967
Reportable segment liabilities	1,013,914,038	905,393,917	382,056	443,781	1,014,296,094	905,837,698
Additions to non-current assets	1,361,947	63,227	2,699	–	1,364,646	63,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION *(Continued)*

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

	2018 RMB	2017 RMB
Profit before income tax		
Reportable segment profit	**54,626,615**	38,817,160
Listing expenses	**—**	(9,400,117)
Consolidated profit before income tax	**54,626,615**	29,417,043

	2018 RMB	2017 RMB
Assets		
Reportable segment assets	**1,470,194,507**	1,330,080,967
Unallocated corporate assets	**—**	—
Consolidated total assets	**1,470,194,507**	1,330,080,967

	2018 RMB	2017 RMB
Liabilities		
Reportable segment liabilities	**1,014,296,094**	905,837,698
Unallocated corporate liabilities	**—**	—
Consolidated total liabilities	**1,014,296,094**	905,837,698

(c) Geographic information

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

(d) Information about major customers

For the year ended 31 December 2018, there was no customer's revenue from the Group's trading operation business segment represented approximately 10% or more of the Group's revenue.(2017: one customer-RMB13,144,302).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. REVENUE AND OTHER INCOME AND GAINS

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

	2018 RMB	2017 RMB
Revenue		
Finance lease income	**86,390,915**	71,123,010
Factoring income	**20,968,896**	6,815,761
Advisory service fee income	**17,469,054**	15,977,994
Sales of goods	**22,950,614**	24,841,236
Commission income	**7,925,670**	4,043,171
Business tax and surcharge	**(175,759)**	(61,974)
	155,529,390	122,739,198
Other income and gains		
Bank interest income	**129,845**	105,335
Interest income from available-for-sale financial assets	**—**	519,230
Interest income from short-term investments	**—**	382,627
Interest income from structured bank deposit	**2,553,206**	—
Recharge of insurance premium (note (a))	**1,047,286**	1,048,942
Government grant (note (b))	**2,800,000**	473,291
Loss on modification of accounts receivable	**(2,675,386)**	—
Imputed interest income	**741,050**	—
Others	**513,766**	308,759
	5,109,767	2,838,184

Notes:

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

(b) The Company obtained and recognised a local government grant of RMB2,800,000 from the PRC government which was approved during the year in respect of the listing of H Shares on GEM of the Stock Exchange. For the year ended 31 December 2017, the subsidiary was obligated to ensure its operation is not violate any law and regulations of the country and local district, and strive for meeting certain level of the revenue and total tax paid for the years of 2016 under the terms of this government grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. REVENUE AND OTHER INCOME AND GAINS *(Continued)*

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including commission income and advisory service fee income and trading income above, are as follows:

	2018 RMB	2017 RMB
Type of services		
Provision of advisory services and customer referral	**25,394,724**	20,021,165
Sales of goods	**22,950,614**	24,841,236
Total revenue recognised from contract with customers	**48,345,338**	44,862,401
Customers by industries		
Transportation	**8,306,634**	4,527,125
Medical	**26,198,109**	26,903,140
Electronics	**6,459,260**	3,628,025
Fast-moving consumer goods	**1,674,085**	2,343,869
Alternative energy	**683,956**	1,517,547
Others	**5,023,294**	5,942,695
	48,345,338	44,862,401

The following table provides information about contract liabilities from contracts with customers:

	31 December 2018 RMB	1 January 2018 RMB
Contract liabilities	**919,200**	182,924

The contract liabilities primarily relate to the advance consideration received from customers for the provision of advisory services, for which revenue is recognised at point in time. The amount of RMB182,924 recognised in contract liabilities at the beginning of the year has been recognised as revenue for the Reporting Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018 RMB	2017 RMB
Auditors' remuneration(note i)	1,003,407	761,080
Cost of borrowing included in cost of sales:	32,865,607	22,402,592
– Interest expenses on interest-bearing bank borrowings(note iii)	29,370,562	19,713,917
– Bank charges and other expenses	65,312	21,770
– Interest charge on amount due to an intermediate holding company(note iii)	3,429,733	2,666,905
Cost of inventories sold	20,657,701	21,960,079
Depreciation of plant and equipment(note ii)	344,415	266,729
Operating lease rentals in respect of land and buildings	1,666,032	1,389,063
Impairment loss on amounts receivable, net(note iv)	4,483,267	4,907,614
Loss on modification of accounts receivable	2,675,386	629,912
Exchange losses	94,908	840,255
Loss on disposal of plant and equipment	992	5,316
Employee benefit expenses	28,585,713	21,912,776

(i) Auditors' remuneration for the year was related to the fees for statutory audit services paid to the auditors of respective group companies.

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

(iii) These items represent the finance costs of the Group.

(iv) This item represents to expected credit loss on financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. INCOME TAX EXPENSE

	2018 RMB	2017 RMB
Income tax		
– Current year	**15,881,061**	10,109,925
– Under/(over)-provision in prior years	**661,189**	(760,010)
Deferred tax (note 16)		
– Credited for the year	**(2,118,335)**	(621,881)
Income tax expense	**14,423,915**	8,728,034

The Company and its subsidiaries are incorporated in the PRC subject to the enterprise income tax in the PRC.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. INCOME TAX EXPENSE *(Continued)*

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

	2018 RMB	2017 RMB
Profit before income tax	**54,626,615**	29,417,043
Tax on profit before income tax, calculated at 25%	**13,656,654**	7,354,261
Tax effect of non-deductible expenses	**–**	2,350,029
Tax effect of tax losses and other temporary difference not recognised	**106,072**	(13,921)
Utilisation of tax losses previously not recognised	**–**	(202,325)
Under/(over)-provision in respect of prior years	**661,189**	(760,010)
Income tax expense	**14,423,915**	8,728,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the year of RMB40,202,700 (2017: RMB20,689,009) and the weighted average of 359,340,000 shares (2017: 324,388,548 shares) in issue during the Reporting Period.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2018 and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

The Board recommends the payment of the final dividend of RMB0.05 per share (tax inclusive) in respect of the year ended 31 December 2018 (2017: RMB0.02). These financial statements do not reflect this dividend payable as the final dividend was proposed after the date of statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31 December 2019 when approved at the forthcoming annual general meeting.

12. EMPLOYEE BENEFIT EXPENSES

	2018	2017
	RMB	RMB
Staff costs (including directors' emoluments (note 13(a)) comprise:		
Salaries, allowances and benefits in kind	**19,408,030**	14,550,907
Discretionary bonuses	**4,871,571**	4,294,990
Contributions to defined contribution retirement plan	**4,306,112**	3,066,879
	28,585,713	21,912,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(a) Directors' emoluments

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

Year ended 31 December 2018

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	430,850	180,000	74,414	685,264
Mr. Weng Jianxing	—	482,620	129,600	75,164	687,384
Ms. Wang Ying (Appointed on 15 May 2018)	—	225,055	72,000	31,409	328,464
Non-executive directors					
Mr. Zhuang Wei	—	—	—	—	—
Ms. Hui Ying (Resigned on 22 March 2018)	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Sun Luran	—	—	—	—	—
Independent non-executive directors					
Mr. Fung Che Wei, Anthony	101,594	—	—	—	101,594
Mr. Liu Shengwen	101,594	—	—	—	101,594
Mr. Hon Leung	101,594	—	—	—	101,594
Total	304,782	1,138,525	381,600	180,987	2,005,894

The independent 3 non-executive directors were appointed with effect from 21 April 2017 and received RMB304,782 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(a) Directors' emoluments *(Continued)*

The emoluments of each of the directors for the year are set out below: *(Continued)*

Year ended 31 December 2017

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

The independent 3 non-executive directors were appointed with effect from 21 April 2017 and received RMB212,016 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

(Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Reporting Period included 3 (2017: 2) directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for 31 December 2018 and 2017 respectively are as follows:

	2018 RMB	2017 RMB
Salaries, allowances and benefits in kind	**1,307,581**	1,198,110
Discretionary bonuses	**646,413**	470,116
Contribution to defined contribution retirement plan	**265,243**	290,934

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

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

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

	2018 Number of individual	2017 Number of individual
Nil to HK$1,000,000	**3**	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. PLANT AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
Cost				
At 1 January 2017	984,056	715,176	270,000	1,969,232
Additions	63,227	—	—	63,227
Disposals	(15,870)	—	—	(15,870)
At 31 December 2017 and 1 January 2018	1,031,413	715,176	270,000	2,016,589
Additions	947,542	—	417,105	1,364,647
Disposals	(21,740)	—	—	(21,740)
At 31 December 2018	1,957,215	715,176	687,105	3,359,496
Accumulated depreciation				
At 1 January 2017	570,673	307,000	270,000	1,147,673
Charge for the year	180,014	86,715	—	266,729
Disposals	(8,254)	—	—	(8,254)
At 31 December 2017 and 1 January 2018	742,433	393,715	270,000	1,406,148
Charge for the year	226,375	86,714	31,326	344,415
Disposals	(20,747)	—	—	(20,747)
At 31 December 2018	948,061	480,429	301,326	1,729,816
Net carrying value				
At 31 December 2018	1,009,154	234,747	385,779	1,629,680
At 31 December 2017	288,980	321,461	—	610,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE

	2018 RMB	2017 RMB
Finance lease receivables	**1,109,400,566**	1,189,396,413
Less: unearned finance income	**(80,802,863)**	(100,680,896)
Present value of minimum lease payment (note (a))	**1,028,597,703**	1,088,715,517
Factoring receivables (note (b))	**241,486,994**	168,962,931
Trade receivables (note (c))	**26,694,360**	24,841,236
Subtotal of accounts receivable	**1,296,779,057**	1,282,519,684
Less: Provision for finance lease receivables (note (a))	**(19,214,264)**	(16,437,270)
Provision for factoring receivables (note (b))	**(5,656,449)**	(2,652,840)
Provision for trade receivables (note (c))	**(195,420)**	(132,000)
	1,271,712,924	1,263,297,574

Analysis for reporting purpose as:

	2018 RMB	2017 RMB
Current assets	**801,133,465**	674,951,626
Non-current assets	**470,579,459**	588,345,948
	1,271,712,924	1,263,297,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

As at 31 December 2018, included in accounts receivable were balances of RMB27,923,534 (2017: RMB44,288,800) due from related companies with details as follows:

The Group

Name of related parties	Note	Amount outstanding At 1 January RMB	At 31 December RMB	Maximum amount outstanding during the year RMB
2018				
Longding Huayuan#	28(a)			
Finance lease receivable		2,670,487	—	2,670,487
Factoring receivable		41,846,006	28,063,534	41,846,006
Less: Collective impairment allowance		(227,693)	(140,000)	
		44,288,800	27,923,534	

Name of related parties	Note	Amount outstanding At 1 January RMB	At 31 December RMB	Maximum amount outstanding during the year RMB
2017				
Longding Huayuan#	28(a)			
Finance lease receivable		5,598,037	2,670,487	5,598,037
Factoring receivable		—	41,846,006	41,846,006
Less: Collective impairment allowance		(39,186)	(227,693)	
		5,558,851	44,288,800	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes:

(a) The effective interest rates of the above finance lease ranged mainly from 0.69% to 17.80% per annum as at 31 December 2018 (2017: 0.69% to 17.57% per annum).

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

	2018 **RMB**	2017 RMB
Finance lease receivables:		
Within one year	**732,681,432**	676,274,401
In more than one year but not more than five years	**376,719,134**	513,122,012
	1,109,400,566	1,189,396,413
Present value of minimum lease payments:		
Within one year	**668,814,564**	609,860,907
In more than one year but not more than five years	**359,783,139**	478,854,610
	1,028,597,703	1,088,715,517

The credit quality analysis of finance lease receivables as at 31 December 2017 is as follows:

	2017 RMB
Neither past due nor impaired	1,042,000,089
Past due but not individually impaired	5,459,312
Past due and individually impaired	41,256,116
	1,088,715,517
Less: Collective impairment allowance	(7,305,817)
Individual impairment allowance	(9,131,453)
	1,072,278,247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

As at 31 December 2018, amounts of RMB10,206,048 (2017: RMB19,885,343) were past due but not individually impaired, in the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

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

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

The following is an ageing analysis based on age of the receivables since the effective date of the relevant lease contracts, as at the end of the reporting period.

	2018 RMB	2017 RMB
Within one year	**668,814,564**	609,860,907
More than one year but less than five years	**359,783,139**	478,854,610
	1,028,597,703	1,088,715,517

As at 31 December 2018, finance lease receivables which are past due but not credit-impaired amounted RMB5,940,872, represented the contractual payments have not been settled by customers more than 90 days but were considered not to be credit-impaired as the management considered the reputation of these customers were sound. Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than six months after taking into consideration the recoverability of collateral and deposits. As such, as at 31 December 2018, an aggregate finance lease receivables of RMB46,229,068 was credit-impaired under the lifetime ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

As at 31 December 2017, included in the individual impairment allowance are individually impaired finance lease receivables with aggregate balances of RMB44,718,740 of which the customers are in financial difficulties or were in default.

As at 31 December 2017, aggregate finance lease receivables with carrying amount of RMB1,043,996,777 was determined to be impaired on a collective basis.

At 31 December 2017, management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 December 2017, aggregate carrying amounts of RMB5,459,312 were past due respectively but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers.

Movements of the provision for impairment loss on finance lease receivables are as follows:

	2018 RMB	2017 RMB
At the beginning of the year	**16,437,270**	15,045,114
Additional credit loss recognised at 1 January 2018 upon adoption of HKFRS 9	**1,001,690**	—
Impairment loss recognised for the year (note)	**1,775,304**	4,071,595
Write off	—	(2,679,439)
At the end of the year	**19,214,264**	16,437,270

Note:

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for lease receivables. The changes in the loss allowance was mainly due to increase in loss allowance on lease receivables that are credit-impaired at the reporting date under the expected credit loss model.

As part of its normal business, the Group entered into a finance lease receivable factoring arrangement (the "**Arrangement**") and transferred certain finance lease receivables to an independent third party and a state-owned commercial bank in the PRC (the "**Factors**") during the years ended 31 December 2018 and 2017 respectively. Under the Arrangements, the Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to 1 day. Since the Group has retained substantial risks and rewards relating to the accounts receivable including default risks, the accounts receivable are regarded as transferred financial assets that should not be derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

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

	2018 RMB	2017 RMB
Carrying amount of assets (note 22(c) and (b))	**266,478,000**	502,343,857
Carrying amount of associated liabilities (note 22(b))	**244,478,514**	454,091,152
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets	**266,478,000**	502,343,857
Fair value of associated liabilities	**(244,478,514)**	(454,091,152)
Net position	**21,999,486**	48,252,705

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

	2018 RMB	2017 RMB
Within one year	**134,709,220**	151,127,502
More than one year but less than five years	**101,121,325**	15,182,589
	235,830,545	166,310,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The credit quality analysis of factoring receivables as at 31 December 2017 is as follows:

	2017 RMB
Neither past due nor impaired	158,052,388
Less than one month past due	—
Past due more than one month but less than one year	4,000,000
Past due more than one year but less than five years	4,257,703
	166,310,091

The effective interest rates of the above factoring ranged mainly from 7% to 15% per annum during the year.

As at 31 December 2018, the Group hold collateral with a carrying amount of RMB534,940,389 (2017: RMB263,303,666) over these balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Movements of the provision for impairment loss on factoring receivables are as follows:

	2018 RMB	2017 RMB
At the beginning of the year	**2,652,840**	1,557,471
Additional credit loss recognised at 1 January 2018 upon adoption of HKFRS 9	**359,066**	—
Impairment loss recognised for the year (note)	**2,644,543**	1,095,369
At the end of the year	**5,656,449**	2,652,840

Note:

The change was mainly due to increase in loss allowance on factoring receivables that are credit-impaired at the reporting date under the expected credit loss model.

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

	2018 RMB	2017 RMB
Within one year	**12,409,130**	18,598,961
More than one year but less than five years	**14,089,810**	6,110,275
	26,498,940	24,709,236

The credit quality analysis of trade receivables as 31 December 2017 is as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

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

Movements of the provision for impairment loss on trade receivables are as follows:

	2018 RMB	2017 RMB
At the beginning of the year	**132,000**	—
Impairment loss recognised for the year	**63,420**	132,000
At the end of the year	**195,420**	132,000

16. DEFERRED TAX ASSETS

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

	Others RMB	Allowance for impairment losses RMB	Total RMB
At 1 January 2017	–	4,150,647	4,150,647
Credited to profit or loss	–	621,881	621,881
At 31 December 2017 And 1 January 2018	–	4,772,528	4,772,528
Credited to profit or loss	668,847	1,449,488	2,118,335
At 31 December 2018	668,847	6,222,016	6,890,863

As at 31 December 2018, the Group had tax losses arising in the PRC of RMB1,098,956 (2017: Nil) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax asset has been recognised for the above deductible temporary differences as it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB	2017 RMB
Prepayments	**1,199,799**	2,345,759
Value-added tax recoverable	**25,593,879**	22,431,469
Other deposits	**3,964,334**	517,654
Other receivables	**3,764,677**	1,098,047
	34,522,689	26,392,929

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

18. STRUCTURED BANK DEPOSIT

	2018 RMB	2017 RMB
Structured bank deposit	**60,000,000**	—

Structured bank deposit represents short term structured product of a stated commercial bank in the PRC at the rate of return by reference to USD3M-LIBOR for a period of one year with maturity on 11 January 2019. The expected rate of return was 4.4% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. CASH AND CASH EQUIVALENTS

	2018 RMB	2017 RMB
Cash at bank and in hand	**72,677,833**	35,007,495

As at 31 December 2018, the Group has cash and bank balances denominated in RMB amounted to approximately RMB72,317,923 (2017: RMB34,813,366), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

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

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

20. OTHER PAYABLES AND ACCRUALS

	2018 RMB	2017 RMB
Accruals	**5,384,191**	4,295,931
Deposits from finance lease customers (note 23)	**62,941,400**	50,309,428
Deposits from suppliers (note 23)	**3,099,749**	601,840
Other payables	**2,473,926**	4,829,643
Others	**1,009,909**	615,997
	74,909,175	60,652,839

As at 31 December 2018, other payables include payables to equipment suppliers of RMB1,666,000 (2017: RMB3,495,000) in relation to certain finance lease arrangements conducted by the Group. Others mainly include premium received from customers for insurance arrangement on behalf of customers and temporary receipts from customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. RECEIPTS IN ADVANCE

	2018 RMB	2017 RMB
Current portion	**3,473,772**	2,711,801
Non-current portion	**3,773,935**	3,200,769
	7,247,707	5,912,570

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

22. INTEREST-BEARING BANK BORROWINGS

	2018 RMB	2017 RMB
Current liabilities		
Bank loans – secured and guaranteed (notes (a) and (b))	**244,478,514**	454,091,151
Bank loans – guaranteed (note (b))	**156,264,273**	240,213,996
Bank loans – secured (note (b))	**62,633,782**	—
	463,376,569	694,305,147
Non-current liabilities		
Bank loan – secured and guaranteed (note (b) and (c))	**107,950,756**	—
	571,327,325	694,305,147

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

	2018 RMB	2017 RMB
On demand or within one year	**389,304,901**	474,057,304
More than one year, but not exceeding two years	**166,274,739**	154,825,372
More than two years, but not exceeding five years	**15,747,685**	65,422,471
	571,327,325	694,305,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

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

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

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk. As at 31 December 2018, none of the covenants relating to drawn down facilities had been breached (2017: nil).

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

- Finance lease receivable with the carrying amount of RMB266,478,000 as at 31 December 2018 (2017: RMB502,343,857).
- The Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB800,000,000 (2017: RMB620,000,000).
- Bank deposits of RMB19,909,422 (2017: Nil).

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

	2018 **RMB**	2017 RMB
Fixed rates bank loans	**3.80%-6.09%**	4.75%–5.13%

(c) As at 31 December 2018, the Group's non-current bank loan is denominated in EUR with principal amount of EUR13,800,000, interest bearing at USD 3-month LIBOR+0.9% per annum and will be repayable on November 2020. All remaining bank loans are denominated in RMB.

(d) As at 31 December 2018, the Group has obtained banking facilities of RMB857,000,000 (2017: RMB960,000,000) of which RMB457,508,287 (2017: RMB694,305,147) had been utilised by the Group. As at 31 December 2018, the Group has unutilised banking facilities of RMB399,491,713 (2017: RMB265,694,853) available for draw down.

As at 31 December 2018, the Group's utilised banking facilities of RMB244,478,514 (2017: RMB454,091,152) were secured by the finance lease receivables with the carrying amount of RMB266,478,000 (2017: RMB502,343,857).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. DEPOSITS FROM FINANCE LEASE CUSTOMERS AND SUPPLIERS

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

	2018 RMB	2017 RMB
Current liabilities		
Deposits from finance lease customers	**62,941,400**	50,309,428
Deposits from suppliers	**3,099,749**	601,840
	66,041,149	50,911,268
Non-current liabilities		
Deposits from finance lease customers	**111,574,693**	130,325,139
Deposits from suppliers	**6,752,373**	10,625,477
	118,327,066	140,950,616

As at 31 December 2018, included in deposits from finance lease customers from non-current liabilities amounted to RMB752,004 (2017: RMB752,004) was trade balances due to a related company, Longding Huayuan.

24. SHARE CAPITAL

	Number of shares	RMB
Registered domestic and unlisted foreign share capital and H Shares:		
At 1 January 2017	269,500,000	269,500,000
Issuance of H Shares (note)	89,840,000	89,840,000
At 31 December 2017 and 2018	359,340,000	359,340,000

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 RMB	2017 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		1,428,835	342,659
Interests in subsidiaries		260,047,260	260,047,260
Accounts receivable		323,551,465	477,246,511
Restricted bank deposit		19,909,422	–
Deferred tax assets		5,330,556	4,109,318
		610,267,538	741,745,748
Current assets			
Accounts receivable		605,338,282	595,031,737
Prepayments, deposits and other receivables		30,215,876	22,295,993
Amount due from a subsidiary		174,917,515	12,397,515
Restricted bank deposits		2,320,924	–
Structured bank deposit		60,000,000	–
Cash and cash equivalents		71,115,483	34,209,243
		943,908,080	663,934,488
Current liabilities			
Bills payable		2,051,000	–
Other payables and accruals		72,982,257	59,830,021
Receipts in advance		2,305,501	1,868,128
Contract liabilities		919,200	–
Amount due to an immediate holding company		236,000,000	–
Amounts due to subsidiaries		103,881,004	175,291,707
Tax payables		1,845,449	3,909,109
Interest-bearing bank borrowings		463,376,569	594,305,147
		883,360,980	835,204,112
Net current assets/(liabilities)		60,547,100	(171,269,624)
Total assets less current liabilities		670,814,638	570,476,124
Non-current liabilities			
Receipts in advance		2,273,329	1,224,538
Deposits from finance lease customers and suppliers		107,595,454	140,017,016
Interest-bearing bank borrowings		107,950,756	–
		217,819,539	141,241,554
Net assets		452,995,099	429,234,570
EQUITY			
Share capital	24	359,340,000	359,340,000
Reserves	27	93,655,099	69,894,570
Total equity		452,995,099	429,234,570

On behalf of Directors

LI Peng (李鵬)　　WENG Jianxing (翁建興)　　WANG Ying (王瑩)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. PRINCIPAL SUBSIDIARIES

Details of the subsidiaries are as follows:

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

27. RESERVES

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

(a) Merger reserve

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

(b) Capital reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

27. RESERVES *(Continued)*

(c) Statutory reserve

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

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2018 and 2017 are presented in the consolidated statements of changes in equity.

The Company

	Capital reserve RMB	Statutory reserve RMB	(Accumulated losses)/ retained profits RMB	Total RMB
At 1 January 2017	26,667,317	2,578,936	17,083,934	46,330,187
Profit and total comprehensive income for the year	—	—	19,134,861	19,134,861
Appropriation to statutory reserve	—	3,129,490	(3,129,490)	—
Transaction with owners				
Issuance of H Shares	13,951,150	—	—	13,951,150
Share issue expenses	(9,521,628)	—	—	(9,521,628)
As at 31 December 2017 and 1 January 2018 as originally presented	31,096,839	5,708,426	33,089,305	69,894,570
Initial application of HKFRS 9	—	—	(1,001,690)	(1,001,690)
Restated at 1 January 2018	31,096,839	5,708,426	32,087,615	68,892,880
Profit and total comprehensive income for the year	—	—	31,949,019	31,949,019
Appropriation to statutory reserve	—	3,442,816	(3,442,816)	—
Dividends	—	—	(7,186,800)	(7,186,800)
At 31 December 2018	31,096,839	9,151,242	53,407,018	93,655,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

28. RELATED PARTY TRANSACTIONS

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

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

Name	Related party relationship	Type of transaction	Transaction amount 2018 RMB	2017 RMB
Ningbo Shanshan Co., Ltd 寧波杉杉股份有限公司 ("**Shanshan**")	Intermediate holding company	Interest expenses	**3,429,733**	2,666,905
Longding Huayuan	Common shareholder (note i)	Finance lease income	**87,968**	325,819
		Advisory service fee income	**—**	—
		Factoring income	**3,994,132**	47,625

Notes:

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

(b) Amount due to an intermediate holding company is unsecure, interest bearing at 4.35% and repayable on demand.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

29. NOTE SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Interest-bearing bank borrowings RMB	Amount due to an intermediate holding company RMB
At 1 January 2017	500,916,459	—
Changes from cash flows:		
Proceeds from new bank loans	584,400,000	—
Repayment of bank loans	(387,221,751)	—
Repayment of bank interest	(3,789,561)	—
	193,388,688	—
At 31 December 2017	694,305,147	—
Changes from cash flows:		
Proceeds from new bank loans	366,894,625	—
Repayment of bank loans	(489,813,584)	—
Repayment of bank interest	(58,863)	—
Net cash inflow from an intermediate holding company	—	236,000,000
	(122,977,822)	236,000,000
At 31 December 2018	571,327,325	236,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

30. COMMITMENTS

(a) Operating lease commitments

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

	2018 RMB	2017 RMB
Within one year	**1,491,750**	1,342,122
In the second to fifth years	**1,112,915**	2,277,704
	2,604,665	3,619,826

The Group leases a number of premises under operating leases. The leases run for an initial period of 1 to 3 years in 2016 and 6 months to 3 years in 2017 and 1 to 3 years in 2018. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

(b) Capital commitments

	2018 RMB	2017 RMB
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not yet incurred:	**—**	410,000

31. CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. CAPITAL MANAGEMENT

The Group's capital management objectives are:

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

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns with a possibly higher level of leverage and securing the advantages and security afforded by a sound capital position with adjustments made to the capital structure in light of changes in economic conditions. The Directors also strive to optimise the Group's overall capital structure through payment of dividends or issue of new shares. No changes were made in the objectives, policies or processes of the Group's capital management during the Reporting Period.

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

	2018 RMB	2017 RMB
Total equity	**455,898,413**	424,243,269
Overall financing		
– Interest-bearing bank borrowings	**571,327,325**	694,305,147
– Amount due to an intermediate holding company	**236,000,000**	—
	807,327,325	694,305,147
Equity-to-overall financing ratio	**1:0.56**	1:0.61

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2018 RMB
Financial assets	
Financial asset at fair value through profit or loss:	
Structured bank deposit	60,000,000
Financial assets measured at amortised cost:	
Accounts receivable	1,271,712,924
Other receivables and deposits	3,034,931
Pledged bank deposits	22,230,346
Cash and cash equivalents	72,677,933
	1,429,656,134
Financial liabilities	
Financial liabilities measured at amortised cost:	
Bills payable	2,051,000
Other payables and accruals	7,408,090
Deposits from finance lease customers and suppliers (non-current portion)	118,327,066
Interest-bearing bank borrowings	571,327,325
	699,113,481

	2017 RMB
Financial assets	
Loans and receivables:	
Accounts receivable	1,263,297,574
Other receivables and deposits	1,615,701
Cash and cash equivalents	35,007,495
	1,229,920,770
Financial liabilities	
Financial liabilities measured at amortised cost:	
Other payables and accruals	9,125,574
Deposits from finance lease customers and suppliers (non-current portion)	140,950,616
Interest-bearing bank borrowings	694,305,147
	844,381,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include accounts receivable, deposits and other receivables, cash and bank balances, restricted bank deposits, other payables and accruals, amount due to immediate holding company and interest-bearing bank borrowings.

Due to their short-term nature, their carrying values of cash and bank balances, deposits and other receivables, restricted bank deposits, other payables and accruals and amount due to immediate holding company approximate their fair values.

The fair value of finance lease receivables and factoring receivables and interest-bearing bank borrowings has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurements

The fair value of structured bank deposit is calculated by reference to the USD3M-LIBOR.

There were no changes in valuation techniques during the year.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Financial instruments measured at fair value *(Continued)*

Information about level 3 fair value measurements *(Continued)*

	2018			
	Level 1	Level 2	Level 3	Total
	RMB	RMB	RMB	RMB
Financial assets at fair value through profit or loss				
– Structured bank deposit	—	—	60,000,000	60,000,000

	2017			
	Level 1	Level 2	Level 3	Total
	RMB	RMB	RMB	RMB
Financial assets at fair value through profit or loss				
– Structured bank deposit	—	—	—	—

There were no transfers between levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

As at the end of reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to accounts receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

The Group's concentration of credit risk on the account receivable as at 31 December 2018 included five major counterparties accounting for 24% (2017: 24%) of the accounts receivable respectively. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customers base as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Lessees of the Group are from different industries as follows:

Present value of minimum lease payment

	2018		2017	
	RMB	%	RMB	%
Medical	**155,819,499**	**15**	175,623,667	16
Transportation	**271,274,357**	**26**	244,509,278	22
Electronics	**140,236,638**	**14**	141,759,426	13
Fast-moving consumer goods	**161,510,685**	**16**	217,862,320	20
Alternative energy	**72,111,915**	**7**	170,733,506	16
Others	**227,644,609**	**22**	138,227,320	13
	1,028,597,703	**100**	1,088,715,517	100
Less: Provision for finance lease receivables	**(19,214,264)**		(16,437,270)	
	1,009,383,439		1,072,278,247	

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

	2018		2017	
	RMB	%	RMB	%
Manufacturing	**29,158,952**	**12**	23,043,828	14
Medical	**104,479,780**	**43**	80,173,369	47
Real estate leasing	**60,819,212**	**25**	62,095,210	37
Wholesale and retails	**6,853,539**	**3**	3,650,524	2
Financial Leasing	**40,175,511**	**17**	—	—
	241,486,994	**100**	168,962,931	100
Less: Provision for factoring receivables	**(5,656,449)**		(2,652,840)	
	235,830,545		166,310,091	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

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

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal	:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special-mention	:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful	:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.
Loss	:	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The Group measures loss allowances for finance lease receivables and trade receivables based on lifetime ECLs. For factoring receivables, the Group measures the loss allowance equal to 12-month ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables, factoring receivables and trade receivables as at 31 December 2018:

	Pass RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2018						
Expected loss rate	0.66%	17.05%	19.66%	29.52%	—	
Provision	8,112,171	1,241,300	838,534	14,874,128	—	25,066,133
Net receivables	1,234,865,426	7,280,730	4,265,176	50,387,725	—	1,296,779,057

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(e)B(ii)). Details are set out in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

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

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

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	On demand RMB	Within 1 year RMB	1 to 2 years RMB	Over 2 years RMB
At 31 December 2018						
Bills payable	2,051,000	2,051,000	2,051,000	—	—	—
Other payables and accruals	7,408,090	7,408,090	7,408,090	—	—	—
Deposits from finance lease customers and suppliers	184,368,216	184,368,216	—	66,040,971	93,274,233	25,053,012
Amount due to an intermediate holding company	236,000,000	236,000,000	236,000,000	—	—	—
Interest-bearing bank borrowings (note)	571,327,325	701,414,024	244,478,514	168,641,334	275,657,137	12,637,039
Total liabilities	1,001,154,631	1,131,241,330	489,937,604	234,682,305	368,931,370	37,690,051
At 31 December 2017						
Other payables and accruals	9,125,574	9,125,574	9,125,574	—	—	—
Deposits from finance lease customers and suppliers	191,861,884	191,861,884	—	50,911,268	85,049,294	55,901,322
Interest-bearing bank borrowings (note)	694,305,147	694,305,147	694,305,147	—	—	—
Total liabilities	895,292,605	895,292,605	703,430,721	50,911,268	85,049,294	55,901,322

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year RMB	Over 1 year RMB
At 31 December 2018	**571,327,325**	**714,963,136**	**347,669,467**	**367,293,669**
At 31 December 2017	694,305,147	731,542,556	501,860,512	229,682,044

(c) Interest rate risk

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

Other than cash and cash equivalents (note 19), structured bank deposit (note 18), pledged bank deposits, accounts receivable (note 15) and interest-bearing bank borrowings (note 22), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

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

At 31 December 2018, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year (through the impact on the Group's cash and cash equivalents which are subject to floating interest rate) by approximately RMB663,390 (2017: RMB131,280). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's profit for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

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

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

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. Other than the interest-bearing bank borrowings of EUR13,800,000, equivalent to RMB107,902,200, all the financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and the subsidiaries in the PRC to which these transactions relate.

The following table indicates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number below indicates an increase in profit and equity where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

	2018 Euro
Decrease in foreign exchange rate	1%
Effect on profit for the year and retained profits	1,079,022

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of reporting period for presentation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair value risk

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

35. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the consolidated financial statements, no significant events took place subsequent to 31 December 2018.

36. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 28 February 2019.

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