Byleasing Holdings Limited

百應租賃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

ANNUAL REPORT

2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

Directors

Executive Directors

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

Non-executive Director

Mr. Ke Jinding

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Joint Company Secretaries

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

Authorised Representatives

Mr. Huang Dake
Ms. Ng Ka Man

Registered Office

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

Headquarters/Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Company Website

www.byleasing.com

Stock Code

8525

Auditor

KPMG
Certified Public Accountants

Legal Advisers to the Company

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

Compliance Adviser

Changjiang Corporate Finance (HK) Limited

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

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

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

Financial Summary

The following is a summary of the results of our Group for each of the years ended 31 December 2016, 2017 and 2018 and the assets and liabilities of our Group as of 31 December 2016, 2017 and 2018.

RESULTS

	Year ended 31 December		
	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Revenue	39,940	60,808	**78,967**
Profit before tax	18,788	27,408	**31,807**
Income tax expense	(3,826)	(6,719)	**(8,626)**
Profit for the year	14,962	20,689	**23,181**

ASSETS AND LIABILITIES

	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	621,899	657,783	**519,297**
Total liabilities	461,425	475,311	**248,992**
Net assets	160,474	182,472	**270,305**

The summary of assets and liabilities of our Group as of 31 December 2016 and 2017 and the summary of the results of our Group for the years ended 31 December 2016 and 2017 have been extracted from the Prospectus.

Chairman's Statement

Dear Shareholders,

The Company was successfully listed on GEM of the Stock Exchange on 18 July 2018, signifying that the Company has entered into a new stage of development. Leveraging on the international capital market, it is likely that our Group will enjoy a high-quality development in future.

Our Group is principally engaged in equipment-based finance leasing, commercial factoring and advisory services. Aiming at serving the real economy with financing support and supporting the development of SMEs, we have been dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals and exploring relevant business opportunities. The Company adheres to the principles of stable operation and risk prioritization.

Our Group has always pursued good corporate governance, in which the Board has played a key role, especially in corporate strategies, talent training and risk management and control. Our Group believes that good corporate governance could allow us to achieve long-term development and bring us to a higher level and thereby maximizing the interests of the Shareholders.

In 2018, under the challenging domestic and international environment, our Group grasped the market opportunities and achieved operating revenue of RMB79.0 million and net profit of RMB23.2 million for the year, representing a year-on-year growth of 29.9% and 12.0%, respectively. In addition, our Group was awarded the China Financial Leasing Achievement Award 2018 (2018 中國融資租賃成就獎) by China Financial Leasing Annual Conference (中國融資租賃年會) and was elected as the vice president of Xiamen Local Finance Association (廈門市地方金融協會). With the enhancing social influence, recognition and reputation, the future development of the Company could be further promoted.

On behalf of the Board, I would like to express my sincere gratitude to all Shareholders for their trust. We will forge ahead a better return to the Shareholders.

Byleasing Holdings Limited
Zhou Shiyuan
Chairman and executive Director
20 March 2019

Management Discussion and Analysis

Industry Overview

China's finance leasing industry has experienced a rapid growth since 2012. Along with the industrial reform and equipment upgrade in China, the steady growth of China's fixed-asset investment volume creates a greater potential for the development of the finance leasing industry. Fujian province has become one of the fastest developing provinces for the finance leasing industry in China. In 2016, the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見) has implemented effective measures on taxation and environment for development to support the finance leasing industry in Fujian province. A series of favorable policies issued by the government of Fujian province encouraged the development of the finance leasing industry in Fujian province in recent years.

Business Overview

We are a finance leasing company in Fujian province dedicated to providing equipment-based financing solutions to our customers. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Our customers are mainly SMEs, entrepreneurial individuals, and also include reputable large enterprises.

The Shares were listed on GEM of the Exchange on the Listing Date. Our business increased steadily. We served 186 customers located in 22 provinces in China for the year ended 31 December 2018.

Our revenue increased from RMB60.8 million for the year ended 31 December 2017 to RMB79.0 million for the year ended 31 December 2018. Our profit increased from RMB20.7 million for the year ended 31 December 2017 to RMB23.2 million for the year ended 31 December 2018. We will enhance our finance leasing business and take the opportunity of the upgrade and replacement of the manufacturing equipment to promote our operational quality and business growth by promoting our direct finance leasing business. We also plan to strengthen our sales and marketing efforts in major cities of the Yangtze River Delta and the Pearl River Delta.

Finance Leasing Services

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. Sale-leaseback is primarily used by our customers to fund their business operations. Through sale-leaseback, our customers sell the assets, of which they have the ownership, to us to finance their working capital and then we lease the sold assets back to such customers. For the year ended 31 December 2018, our revenue from finance leasing services was RMB75.1 million, accounting for 95.2% of our total revenue.

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

	For the year ended	
	31 December 2018	31 December 2017
Average monthly balance of interest-generating finance lease receivables (RMB'000)		
– Direct finance leasing	**85,023**	91,068
– Sale-leaseback	**500,780**	371,015
Range of interest rate per annum		
– Direct finance leasing	**11.1%-22.8%**	11.1%-24.8%
– Sale-leaseback	**8.5%-22.8%**	8.35%-29.6%

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

	As of 31 December 2018 RMB'000
Neither overdue nor credit-impaired	**366,824**
Overdue but not credit-impaired	
– Overdue within 30 days (inclusive)	**2,889**
– Overdue 30 to 90 days (inclusive)	**–**
– Overdue above 90 days	**–**
Overdue and credit-impaired	**67,620**
Net amount of finance lease receivables	**437,333**
Allowances for impairment losses	**(24,539)**
Carrying amount of finance lease receivables	**412,794**

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

During the Reporting Period, we recorded three new defaulted agreements. As of 31 December 2018, the net amount of finance lease receivables of such agreements amounted to RMB50.1 million.

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

	As of 31 December 2018			
	12-month ECL RMB'000	**Lifetime ECL not credit-impaired RMB'000**	**Lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
Net amount of finance lease receivables	**366,361**	**3,352**	**67,620**	**437,333**
Allowances for impairment losses	**(7,388)**	**(282)**	**(16,869)**	**(24,539)**
Carrying amount of finance lease receivables	**358,973**	**3,070**	**50,751**	**412,794**

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

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

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Normal	**270,755**	591,537
Special-mention	**101,555**	13,685
Substandard	**50,587**	–
Doubtful	**5,854**	9,689
Loss	**8,582**	4,948
Finance lease receivables, net	**437,333**	619,859

The net amount of finance lease receivables classified as "substandard" or below increased from RMB14.6 million as of 31 December 2017 to RMB65.0 million as of 31 December 2018. Such increase was due to the increase of net amount of finance lease receivables overdue above 90 days of RMB49.2 million.

Factoring Services

In addition to finance leasing services, we also provided factoring services and value-added advisory services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations. For the year ended 31 December 2018, our revenue from factoring services was RMB0.1 million, accounting for 0.2% of our total revenue mainly because (i) all the factoring service agreements were settled and the value of the total factoring assets is nil; and (ii) no new agreement was entered into. We have established a commercial factoring company in Shanghai on 11 January 2019, which lays a foundation for strong development of our commercial factoring business.

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

	For the year ended	
	31 December 2018	31 December 2017
Average monthly balance of loans and receivables[(1)] (RMB'000)	**3,275**	24,763
Range of interest rate	**13.2%-15.6%**	6.6%-15.6%

Note:

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

Management Discussion and Analysis

Advisory Services

Leveraging our experience in arranging finance leases for our customers, we also provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the year ended 31 December 2018, our revenue from advisory services was RMB3.4 million, accounting for 4.4% of our total revenue. Such revenue came from one advisory service agreement, which we entered into with one of our customers, involving a construction project, with a total investment of approximately RMB1,142 million. We charged 1% of the project progress payment which our customer received for our advisory services.

Lease Portfolio

Lease Portfolio by Industry

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

	As of 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Services[1]	**150,712**	**34.5**	164,042	26.5
Manufacturing	**130,126**	**29.8**	121,131	19.5
Wholesale and retailing	**92,836**	**21.2**	58,362	9.4
Construction	**57,778**	**13.2**	67,683	10.9
Agriculture, forestry, animal husbandry and fishery	**447**	**0.1**	559	0.1
Infrastructure	**1**	**0**	200,519	32.4
Others[2]	**5,433**	**1.2**	7,563	1.2
Net amount of finance lease receivables	**437,333**	**100**	619,859	100

Notes:

(1) Include equipment leasing, business services, software and information technology service and catering services.

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

Lease Portfolio by Exposure Size

We primarily offered equipment-based finance leases, the terms of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.3 million to RMB40.0 million. The following table sets forth our finance lease receivables by exposure size as of the dates indicated:

	As of 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Up to RMB1.0 million	**12,121**	**2.8**	24,236	3.9
Over RMB1.0 million to RMB3.0 million (inclusive)	**35,252**	**8.1**	48,482	7.8
Over RMB3.0 million to RMB5.0 million (inclusive)	**61,922**	**14.2**	38,470	6.2
Over RMB5.0 million to RMB30.0 million (inclusive)	**259,971**	**59.4**	239,206	38.6
Over RMB30.0 million(1)	**68,067**	**15.6**	269,465	43.5
Net amount of finance lease receivables	**437,333**	**100**	619,859	100

Note:

(1) The net amount of finance lease receivables over RMB30.0 million related to three and two finance leasing agreements as of 31 December 2017 and 2018, respectively.

Lease Portfolio by Security

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

	As of 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Guaranteed leases	**141,366**	**32.3**	362,308	58.4
Supplier-backed leases	**22,938**	**5.2**	22,913	3.7
Collateral-backed leases with guarantee	**273,029**	**62.5**	234,638	37.9
Net amount of finance lease receivables	**437,333**	**100**	619,859	100

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2018:

Key requirements	Compliance status
A foreign-funded finance leasing company shall not provide in any direct or indirect form of financing for local governments' financing platform companies that undertake public welfare duties.	Our Group complied with such requirement for the year ended 31 December 2018.
The total assets of the foreign investor(s) of a foreign-funded finance leasing company shall not be less than US$5 million and the foreign investor(s) shall not be in insolvency and ordinarily shall have been existed more than one year.	Our Group complied with such requirement for the year ended 31 December 2018.
The registered capital of a foreign-funded finance leasing company shall not be less than US$10 million and the proportion of the foreign investment shall not be lower than 25%.	Our Group complied with such requirement for the year ended 31 December 2018.
A foreign-funded finance leasing company shall have professional staff. And its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.	Our Group complied with such requirement for the year ended 31 December 2018.
The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.	Our Group complied with such requirement for the year ended 31 December 2018.
A foreign-funded finance leasing company shall contain the words "finance leasing" (融資租賃) in its corporate name and shall not contain the words "financial lease" (金融租賃) in its corporate name or its business scope.	Our Group complied with such requirement for the year ended 31 December 2018.
A finance leasing company can conduct guarantee business only in relation with its leasing transactions, but shall not contain the word "guarantee" in its corporate name and shall not take guarantee business as its main business.	Our Group complied with such requirement for the year ended 31 December 2018.
A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances.	Our Group complied with such requirement for the year ended 31 December 2018.
As a general practice and according to the Measures for the Administration of Entrusted Loans of Commercial Banks (商業銀行委託貸款管理辦法) and General Rules for Loans (貸款通則), a company is allowed to entrust a commercial bank to provide loans to a third party.	

Management Discussion and Analysis

Key requirements	Compliance status
A finance leasing company shall not accept any property to which a lessee has no disposal rights or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction.	Our Group complied with such requirement for the year ended 31 December 2018.
Risk assets of a finance leasing company shall not exceed ten times of its total net assets.	Our Group complied with such requirement for the year ended 31 December 2018.

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income and advisory fee income. During the Reporting Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, and our advisory fee income represented the advisory fees received from our value-added advisory services. The following table sets forth our revenue by service type for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest Income:		
Finance leasing services		
– Direct finance leasing	**12,309**	14,338
– Sale-leaseback	**62,834**	41,377
Factoring services [1]	**377**	2,630
Advisory Fee Income:		
Advisory services	**3,447**	2,463
Total	**78,967**	60,808

Note:

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

Our revenue significantly increased from RMB60.8 million for the year ended 31 December 2017 to RMB79.0 million for the year ended 31 December 2018 mainly due to an increase in finance leasing income of RMB19.4 million as a result of the increase in the average effective interest rate per annum on lease business.

Management Discussion and Analysis

Other net income

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

Our other net income decreased from RMB1.9 million for the year ended 31 December 2017 to RMB1.4 million for the year ended 31 December 2018 primarily because (i) no loans had been provided to related parties during the Reporting Period; and (ii) the decrease of interest income of RMB0.7 million for the same period, partially offset by the income from wealth management of RMB0.6 million.

Interest expense

Interest expenses mainly consist of borrowings and imputed interest expense on interest-free guaranteed deposits from lessees. We incur interest expenses on borrowings which are principally used to fund our finance leasing business.

Our interest expenses increased from RMB18.7 million for the year ended 31 December 2017 to RMB24.7 million for the year ended 31 December 2018 mainly due to (i) the increase in the interest rate of bank; and (ii) the increase in monthly loan balance. The increase in our interest expenses was generally in line with the increase in our interest income during the Reporting Period.

Operating expenses

Our operating expenses primarily consist of staff cost, auditor's remuneration and Listing expenses. The table below sets forth the components of our operating expenses by nature for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Staff cost	**5,739**	5,960
Legal expenses	**381**	107
Operating lease charges in respect of properties	**970**	1,146
Business travel and transportation expenses	**615**	603
Auditor's remuneration	**967**	109
Depreciation and amortization	**117**	180
Property management expenses	**234**	238
Listing expenses	**9,596**	5,898
Sundry expenses	**2,733**	1,806
Total operating expenses	**21,352**	16,047

Our operating expenses increased from RMB16.0 million for the year ended 31 December 2017 to RMB21.4 million for the year ended 31 December 2018 mainly due to (i) an increase in non-recurring Listing expenses of RMB3.7 million; (ii) the increase in auditor's remuneration of RMB0.9 million; and (iii) the increase in legal expenses of RMB0.3 million.

Impairment losses charged

Our impairment losses charged mainly include finance lease receivables. The table below sets forth our total impairment losses charged or written back by asset type for the years indicated:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance lease receivables	**2,993**	77
Trade and other receivables	**10**	59
Loans and receivables	**(493)**	426
Total impairment losses charged/(written back)	**2,510**	562

Our impairment losses charged significantly increased primarily because of an increase in impairment losses on finance lease receivables of RMB3.7 million as a result of three new defaulted agreements.

Income tax expense

Our income tax expense increased from RMB6.7 million for the year ended 31 December 2017 to RMB8.6 million for the year ended 31 December 2018 primarily because of the increase in profit before tax of RMB4.4 million.

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

Profit for the period

Our profit increased from RMB20.7 million for the year ended 31 December 2017 to RMB23.2 million for the year ended 31 December 2018 mainly because our revenue increased from RMB60.8 million for the year ended 31 December 2017 to RMB79.0 million for the year ended 31 December 2018. Our net profit margin slightly decreased from 34.0% to 29.4% during the same period.

Liquidity and Capital Resources

The Shares were listed on GEM of the Exchange on the 18 July 2018 and the share offer in connection therewith (the "**Share Offer**") was completed on the same day with net proceeds from the Share Offer of approximately HK$56.8 million (after deducting underwriting fees and commission, and other expenses in connection with the Share Offer).

We primarily funded our operations and expansions through our Shareholders' equity, interest-bearing borrowings, net proceeds from the Share Offer and cash flows from our operations. Our liquidity and capital requirements primarily relate to our finance leasing and factoring businesses and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Cash Flows

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

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents at beginning of the year	**11,183**	170,544
Net cash flows generated from/(used in) operating activities	**209,923**	(211,031)
Net cash flows generated from investing activities	**1,123**	6,334
Net cash flows (used in)/generated from financing activities	**(125,301)**	45,336
Net increase/(decrease) in cash and cash equivalents	**85,745**	(159,361)
Effect of foreign exchange rate changes	**1,674**	–
Cash and cash equivalents at end of the year	**98,602**	11,183

Net cash flows generated from operating activities

For the year ended 31 December 2018, we had net cash generated from operating activities of RMB209.9 million, primarily as a result of operating profit before changes in working capital of RMB52.3 million and the positive effect of the changes in working capital, which consisted of: (i) the decrease in finance lease receivables of RMB182.9 million primarily because of the settlement of a finance lease project in infrastructure industry; (ii) the settlement of factoring business of RMB19.4 million; and (iii) the decrease in pledge and restricted deposits of RMB14.6 million. Such net cash inflows were partly offset by trade and other liabilities of RMB52.0 million primarily because of the payment of matured notes payable of RMB50.6 million.

Net cash flows generated from investing activities

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

For the year ended 31 December 2018, our net cash generated from investing activities was RMB1.1 million. Our net cash inflow from investing activities mainly consisted of repayment from a related party of RMB0.5 million and net proceeds from wealth management products of RMB0.8 million, partially offset by payment for purchase of equipment of RMB0.4 million.

Net cash flows used in financing activities

Our cash flows used in financing activities mainly consist of repayment of borrowings, payment of interest on borrowing and payment for Listing expenses.

For the year ended 31 December 2018, our net cash flows used in financing activities was RMB125.3 million. Our net cash flows used in financing activities consisted of: (i) repayment of borrowings of RMB450.0 million; (ii) interest paid of RMB17.0 million; and (iii) payments for Listing expenses of RMB2.7 million, which was offset by: (i) proceeds from bank borrowings of RMB275.0 million; and (ii) gross proceeds from initial public offering of RMB68.8 million.

Selected Items of the Statements of Financial Position

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Finance lease receivables	**236,237**	258,199
Trade and other receivables	**326**	281
Equipment	**586**	210
Intangible assets	**267**	278
Deferred tax assets	**5,923**	5,545
Total non-current assets	**243,339**	264,513
Current assets		
Finance lease receivables	**176,557**	342,287
Cash and cash equivalents	**98,602**	11,183
Trade and other receivables	**799**	6,333
Loans and receivables	**–**	18,889
Pledged and restricted deposits	**–**	14,578
Total current assets	**275,958**	393,270
Current liabilities		
Borrowings	**165,000**	190,000
Trade and other liabilities	**29,277**	81,190
Income tax payable	**4,547**	6,142
Total current liabilities	**198,824**	277,332
Net current assets	**77,134**	115,938
Non-current liabilities		
Borrowings	**–**	150,000
Trade and other liabilities	**49,628**	47,979
Deferred tax liabilities	**540**	–
Total non-current liabilities	**50,168**	197,979
Net assets	**270,305**	182,472

Our net current assets significantly decreased mainly due to the decrease in our total current assets. Our total current assets decreased from RMB393.3 million as of 31 December 2017 to RMB276.0 million as of 31 December 2018 primarily due to (i) the decrease in finance lease receivables of RMB165.7 million, which related to the settlement of the finance leasing transactions in the infrastructure industry; (ii) the decrease in loans and receivables of RMB18.9 million, which related to the settlement of all factoring business; and (iii) the decrease in pledged and restricted deposits of RMB14.6 million. Such decrease in the current assets was partially offset by the increase in the cash and cash equivalents of RMB87.4 million.

Our current liabilities decreased from RMB277.3 million as of 31 December 2017 to RMB198.8 million as of 31 December 2018 primarily due to (i) the decrease in bank borrowings of RMB25.0 million; and (ii) the decrease in trade and other liabilities of RMB51.9 million, which mainly due to the decrease in notes payable of RMB48.6 million. Our net assets increased from RMB182.5 million as of 31 December 2017 to RMB270.3 million as of 31 December 2018.

Net amount of finance lease receivables

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Direct finance leasing	**82,052**	110,163
Sale-leaseback	**355,281**	509,696
Net amount of finance lease receivables	**437,333**	619,859

The net amount of our finance lease receivables decreased from RMB619.9 million as of 31 December 2017 to RMB437.3 million as of 31 December 2018 mainly due to (i) the decrease of net amount of receivables for sale-leaseback of RMB154.4 million; and (ii) the decrease of net amount of receivables for direct finance leasing of RMB28.1 million. The net amount of receivables for sale-leaseback decreased from RMB509.7 million as of 31 December 2017 to RMB355.3 million as of 31 December 2018 mainly because a project which had net amount of finance receivables of RMB200.5 million as of 31 December 2017 was settled in December 2018. For the year ended 31 December 2018, all of our finance lease receivables were charged by fixed interest rates.

Loans and receivables

Our loans and receivables was nil due to the settlement of factoring services.

Cash and cash equivalents

Cash and cash equivalents consist of deposits with banks. Our cash and cash equivalents significantly increased from RMB11.2 million as of 31 December 2017 to RMB98.6 million as of 31 December 2018.

Trade and other liabilities

Our trade and other liabilities mainly include guaranteed deposits from lessees and VAT payable and other tax payable. The following table sets forth our trade and other liabilities as of the dates indicated:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Guaranteed deposits from lessees	**51,003**	50,365
Notes payable	**–**	48,595
VAT payable and other tax payable	**19,819**	23,153
Accounts payable	**1,295**	359
Accrued staff costs	**1,666**	1,870
Receipts in advance	**134**	135
Accrued liabilities	**827**	177
Interest payable	**1,901**	1,062
Guaranteed deposits from loans and receivables	**–**	1,991
Other payables	**2,260**	1,462
Total trade and other liabilities	**78,905**	129,169

During the Reporting Period, we paid for the leasing equipment by notes. Our trade and other liabilities decreased from RMB129.2 million to RMB78.9 million primarily due to the settlement of matured notes payable of RMB50.6 million mainly consisting of: (i) the balance of notes payable of RMB48.6 million as of 31 December 2017; and (ii) the notes payable of RMB2.0 million in 2018.

Wealth Management

We invest in wealth management products with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such products, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our finance department conducts risk control and supervision over our investment to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. The average daily balance of such products for the years ended 31 December 2017 and 2018 amounted to RMB5.8 million and RMB21.6 million, respectively.

Indebtedness

Interest-bearing borrowings

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Bank loans:		
– Guaranteed and secured(1)	**–**	150,000
– Guaranteed(2)	**65,000**	–
– Unsecured	**100,000**	100,000
Other borrowings:		
– Unsecured	**–**	90,000
Total	**165,000**	340,000

Notes:

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

(2) The loan was guaranteed by Septwolves Group Holding.

During the Reporting Period, all of our borrowings were subject to fixed interest rates other than three borrowings of RMB95.0 million at floating interest rate. No finance lease receivables was pledged as collateral for our bank borrowings as of 31 December 2018.

Contingent liabilities

As of 31 December 2018, we had no contingent liabilities.

Capital Expenditures

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

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Capital expenditures	**449**	36

Commitment and Contractual Obligations

Operating Lease

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

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Operating lease commitments:		
Within one year	**942**	442
One to five years (exclusive)	**1,293**	–
Total	**2,235**	442

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

Capital Commitments

Other than the operating lease commitments disclosed above, we did not have any significant capital commitment as of 31 December 2018.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates or for the years indicated:

	As of/For the year ended 31 December	
	2018	2017
Return on equity[(1)]	**8.6%**	11.3%
Return on assets[(2)]	**4.5%**	3.1%
Net profit margin[(3)]	**29.4%**	34.0%
Debt to equity ratio[(4)]	**0.2x**	1.8x
Gearing ratio[(5)]	**0.6x**	1.9x
Net interest spread for finance leasing business[(6)]	**5.5%**	6.1%
Net interest spread for factoring business[(7)]	**11.5%**	10.6%
Net interest margin[(8)]	**8.6%**	8.2%

Notes:

(1) Return on equity represents profit for the year by total equity as of the end of such year.

(2) Return on assets presents profit for the year by total assets as of the end of such year.

(3) Net profit margin represents profit for the period divided by revenue for the relevant year.

(4) Debt to equity ratio represents total interest-bearing borrowings, less cash and cash equivalents, divided by total equity as of the end of such year.

(5) Gearing ratio represents total interest-bearing borrowings divided by total equity as of the end of such year.

(6) Net interest spread for finance leasing business represents the difference between the interest income yield for finance leasing business and the interest expenses yield for finance leasing business.

(7) We utilized our own capital for factoring services and did not incur interest expenses for factoring services during the year. Therefore, the net interest income equals to the interest income and the net interest spread equals to the interest income yield for factoring services.

(8) Net interest margin is calculated by dividing net interest income by average monthly balance of the receivables related to our finance leasing services and factoring services and multiplied by 100%.

The net profit margin shows how much of the revenue translates into profit. Our net profit margin decreased from 34.0% for the year ended 31 December 2017 to 29.4% for the year ended 31 December 2018 primarily because of: (i) the increase in the Listing expenses of RMB3.7 million; and (ii) the increase in the interest expenses of RMB6.1 million.

The debt to equity ratio identifies companies' leverage and risk for investors. Our debt to equity ratio decreased from 1.8 times as of 31 December 2017 to 0.2 times as of 31 December 2018 primarily due to our repayment of bank borrowings of RMB175.0 million.

The gearing ratio is a measure of financial leverage. Our gearing ratio decreased from 1.9 times as of year ended 31 December 2017 to 0.6 times as of 31 December 2018 due to (i) the increase of total equity; and (ii) repayment of the bank borrowings of RMB175.0 million.

The net interest margin indicates the efficiency of our funds invested in our finance leasing services and factoring services. Our net interest margin slightly increased from 8.2% as of 31 December 2017 to 8.6% as of 31 December 2018 primarily because of the increase in the average effective interest rate per annum on lease business for the year ended 31 December 2018.

Foreign Currency Exposure

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

Off-balance Sheet Arrangements

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

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

The Group did not have any material investments, acquisition or disposal for the year ended 31 December 2018.

EMPLOYMENT AND EMOLUMENTS

As of the date of this report, our Group has 28 full time employees, who are all based in China. Our employees' remuneration was paid with reference to the individual's responsibility and performance, also the actual practice of the Company. We have made contributions to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing funds for our employees. As of the date of this announcement, we had complied with all statutory applicable PRC laws and regulations in all material aspects.

We invest in continuing education and training programs for our management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

PROSPECTS

Looking forward, after going through the uncertainties in 2018, there are immense opportunities and challenges in 2019. The "new normality" of medium-to-low economic growth due to the economy slowdown and the influence of eliminating excess capacity and deleveraging have continued to place operating pressures on enterprises, especially SMEs. Along with the emerging risks, the Company will continue to follow its principles of stable operation and risk prioritization and persist in its effort based on the established plan and objective. Under the momentum of steady national economic growth and the objective of high quality development, there are massive opportunities for development in the future. By fully utilizing our effective mechanism and leveraging on our sophisticated team, the Company will facilitate its business expansion and keep strengthening its business advantages in finance leasing business. The Company will also expand its commercial factoring business to optimize the business structure and asset portfolio through setting up commercial factoring company in China (Shanghai) Pilot Free Trade Zone. The Company will further broaden the financing channel and provide financing support for business development so as to promote the expansion and development of the Company.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on GEM of the Exchange on the Listing Date with net proceeds from the Share Offer of approximately HK$56.8 million (after deducting underwriting fees and commissions, and other expenses in connection with the Share Offer) which intended to be applied in the manner as disclosed in the Prospectus. As of 31 December 2018, the remaining balance of the net proceeds was approximately HK$5.7 million, which is expected to be used up within nine months. The detail of the utilization and remaining balance of the net proceeds as set out below:

Item No.	Purposes	Allocation (on a pro-rata basis)	Amount utilized as of 31 December 2018	The remaining balance as of 31 December 2018
(i)	To expand our finance leasing business	Approximately HK$45.4 million (approximately 80%)	Approximately HK$45.4 million	–
(ii)	To expand our factoring business	Approximately HK$5.7 million (approximately 10%)	–	Approximately HK$5.7 million
(iii)	To provide funding for our working capital and other general corporate purposes	Approximately HK$5.7 million (approximately 10%)	Approximately HK$5.7 million	–
	Total	Approximately HK$56.8 million	Approximately HK$51.1 million	Approximately HK$5.7 million

Management Discussion and Analysis

BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS

In order to continue the rapid growth, our Group intends to continue the following strategies adopted during the Reporting Period:

1. During the Reporting Period, our Group continued to grow our finance leasing business by capitalizing on the growth opportunities of China's finance leasing industry. Our revenue from finance leasing services increased from RMB55.7 million for the year ended 31 December 2017 to RMB75.1 million for the year ended 31 December 2018.

2. From the Listing Date to the date of this report, we primarily funded our operations and expansion through bank borrowings and net proceeds from the Share Offer. Our Group will continue to further enlarge our capital base and diversify our funding sources.

3. We plan to strengthen our sales and marketing efforts in major cities of the Yangtze River Delta Region and the Pearl River Delta Region. Our Group will continue to expand our customer base in additional industries and sectors with growth potential and increase market penetration within our target industries through focused sales and marketing efforts.

4. In expanding our factoring services, we have established a wholly-owned subsidiary, Shanghai Byleasing Commercial Factoring Co., Ltd.* (上海百應商業保理有限責任公司), in Shanghai to serve quality SMEs in Yangtze River Delta Region.

5. In preparation for our Listing, our Group adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 15 to the GEM Listing Rules as our corporate governance code as well as a series of risk management and internal control policies. We will continue to enhance our corporate governance and strengthen our risk management efforts and internal controls.

Directors and Senior Management

Directors

Executive Directors

Mr. Zhou Shiyuan (周士淵), aged 30, is an executive Director and the chairman of the Board. Mr. Zhou is the son of Mr. Zhou Yongwei, one of our Controlling Shareholders. Mr. Zhou is responsible for our Group's strategic planning, overall operation and management of our Board, and provides strategic advice to the business and operation of our Group. He was appointed as a director of Xiamen Byleasing in July 2016, and is currently the chairman and legal representative of Xiamen Byleasing. In September 2016, Mr. Zhou was appointed as a general manager of Xiamen Qicheng Zhixing Investment Management LLP* (廈門市啟誠之星投資管理合夥企業(有限合夥)), a company principally engaged in equity investment consulting and management. He is currently responsible for strategic planning, investment and asset management and overall operation and management. Prior to joining our Group, Mr. Zhou was appointed as an executive director of Quanzhou Septwolves Private Capital Management Co., Ltd.* (泉州市七匹狼民間資本管理股份有限公司), a company principally engaged in asset investment consulting and management, in January 2015. He is currently responsible for the overall operation and equity investment and management. Mr. Zhou also has served as a deputy general manager of Septwolves Group Holding and currently responsible for strategic planning and executing operation and investment plan and decisions of Septwolves Group Holding since September 2012. From July 2010 to August 2012, Mr. Zhou worked as an assistant to general manager of Hangho Land (Xiamen) Co., Ltd.* (恒禾置地(廈門)股份有限公司) which was principally engaged in real estate development and management. He was responsible for cost control and purchase department.

Mr. Zhou completed General English Language Course (advanced level) and graduated from Leicester College in October 2007. Mr. Zhou studied business and marketing at the Birmingham City Business School of Birmingham City University in the 2008/2009 academic session. Mr. Zhou was elected as a deputy to the 13th Fujian Provincial People's Congress in January 2018.

Mr. Chen Xinwei (陳欣慰), aged 44, is an executive Director. Mr. Chen is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Chen served as a chief executive officer of Septwolves Group Holding since March 2006. He is currently responsible for the overall operation. From July 2004 to February 2006, Mr. Chen served as a chief investment officer and deputy general manager of Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司) which was principally engaged in project investment and asset management. He was responsible for investment and financing business.

Mr. Chen obtained his bachelor's degree in mathematics and his master's degree in probability theory and mathematical statistics from Xiamen University in July 1998 and June 2001, respectively. Mr. Chen also obtained a doctor's degree in economics from Xiamen University in September 2006.

Directors and Senior Management

Mr. Huang Dake (黃大柯), aged 48, our executive Director and general manager, is the principal founder of our Group and has served as a director and general manager of Xiamen Byleasing since its incorporation in March 2010. Mr. Huang is primarily responsible for supervising the overall management, day-to-day operations and marketing management of our Group. Prior to joining our Group, he served as a deputy general manager of Xiamen Hongxin Boge Finance Leasing Co., Ltd.* (廈門弘信博格融資租賃有限公司), a company principally engaged in finance leasing, from July 2008 to August 2009. Mr. Huang was responsible for business development and management. Mr. Huang also worked as an associate professor of Huaqiao University (華僑大學) from July 2006 to April 2017, where he was responsible for research and education project.

Mr. Huang obtained his bachelor's degree in meteorological dynamics from Lanzhou University (蘭州大學) and his master's degree in quantitative economics from Huaqiao University (華僑大學) in June 1993 and July 2000, respectively. Mr. Huang also obtained a doctor's degree in economics from Xiamen University (廈門大學) in September 2006. Mr. Huang has been serving as the chairman of Gansu Chamber of Commerce (Fujian branch) (福建省甘肅商會) since March 2015. Mr. Huang served as a vice chairman of Xiamen Local Finance Association* (廈門地方金融協會) since December 2018. Mr. Huang also served as a member of Leasing Business Committee of China Association of Enterprises with Foreign Investment (中國外商投資企業協會租賃工作委員會) since January 2019.

Non-executive Director

Mr. Ke Jinding (柯金錩), aged 43, is a non-executive Director. Mr. Ke is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Ke held various positions in Jingong Machinery which was principally engaged in manufacturing engineering and fundamental agricultural machinery, including general manager, deputy sales general manager, assistant to general manager and worker since July 1997.

Mr. Ke graduated with his diploma in business management from Huaqiao University (華僑大學) in July 1997.

Independent Non-executive Directors

Mr. Chen Chaolin (陳朝琳), aged 45, is an independent non-executive Director since 19 June 2018. Mr. Chen is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Since March 2016, Mr. Chen has been an independent non-executive director of Shenzhen Ysstech Info-Tech Co., Ltd. (深圳市贏時勝信息技術股份有限公司) (stock code: 300377, a company listed on Shenzhen Stock Exchange). Mr. Chen also served as a deputy professor of Xiamen National Accounting Institute (廈門國家會計學院) where he is responsible for teaching and researching since June 2011. From November 2004 to July 2008, Mr. Chen served as a project manager of Xiamen Business Management Personnel Evaluation Recommendation Center* (廈門市企業經營管理人才評價推薦中心) and was responsible for human resources management consulting services. From June 2001 to October 2004, Mr. Chen served as a project manager of Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司) which was principally engaged in securities investment services, where he was responsible for investment and consulting services. Mr. Chen served as an assistant to general manager of Lianjiang Ruibang Metal Product Company Limited* (連江瑞邦金屬製品有限公司), a company principally engaged in hardware development and production, from November 1997 to August 1999. He was responsible for assisting with the general manager in working. From August 1995 to October 1997, Mr. Chen worked as an office clerk in Fujian Feed Industry Company* (福建省飼料工業公司) which was principally engaged in purchase and sale of primary agricultural products. He was responsible for futures brokerage and proprietary trading.

Mr. Chen obtained his bachelor's degree in economics from Xiamen University and his master's degree in business administration from Xiamen University in July 1995 and December 2002, respectively. Mr. Chen also obtained a doctor's degree in management from Xiamen University in June 2011.

Directors and Senior Management

Mr. Tu Liandong (涂連東), aged 50, is an independent non-executive Director since 19 June 2018. Mr. Tu is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. In July 2018, Mr. Tu served as a executive director of Pingtan Comprehensive Experimental Zone Shichu Investment Management Co., Ltd.* (平潭綜合實驗區時初投資管理有限公司) which was principally engaged in investment and asset management. He was responsible for investment management and asset management. In May 2018, Mr. Tu served as an executive director of Xiamen Shichu Investment Counsulting Co., Ltd.* (廈門時初投資諮詢有限公司) which was principally engaged in investment consulting, enterprise management consulting and business information consulting. He was responsible for investment consulting and financial consulting and etc. In February 2018, Mr. Tu was appointed as executive director and general manager of Xiamen Xuankai Investment Operation Management Co., Ltd.* (廈門宣凱投資運營管理有限公司) which was principally engaged in investment management consulting. He was responsible for investment management and investment consulting. Mr. Tu served as an executive director of Xiamen Southern Qianhe Investment Management Co., Ltd.* (廈門南方謙和投資管理有限公司), a company principally engaged in investment and asset management, from November 2016 to February 2018. He was responsible for fund management and investment consultation. From July 2016 to November 2016, Mr. Tu served as a managing partner of Xiamen Fantai Investment Management Co., Ltd* (廈門泛泰創業投資管理有限公司) which was principally engaged in investment consulting. He was responsible for investment. Mr. Tu served as an independent non-executive director of Novarise Renewable Resources International Ltd. (Novarise 再生資源國際有限公司) (stock code: NOE, a company listed on Australian Stock Exchange since April 2010). He also has been an independent non-executive director of Xiamen 35.Com Technology Co., Ltd.* (廈門三五互聯科技股份有限公司) (stock code: 300051, a company listed on Shenzhen Stock Exchange since March 2014). Mr. Tu has been an independent non-executive director and chairman of the audit committee of Xiamen Anne Corporation Limited (廈門安妮股份有限公司) (stock code: 2235, a company listed on Shenzhen Stock Exchange since September 2013). From May 2003 to July 2016, Mr. Tu served as a chief financial officer and partner of Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司) which was principally engaged in investment management. He was responsible for listing guidance, investment consulting, financial advisory and fund management. Mr. Tu worked as a principal staff member of CSRC Xiamen Bureau (中國證監會廈門證監局) from March 2002 to May 2003, where he was responsible for supervision on securities and futures businesses. From July 1997 to March 2002, Mr. Tu served as a Certified Public Accountant and partner of Xiamen ZhongXing Certified Public Accountants Co., Ltd.* (廈門中興會計師事務所有限公司), a company principal engaged in audit, capital verification and accounting consultation. He was responsible for accounting and tax consulting and auditing and property valuation. Mr. Tu worked as lecturer of JiMei University (集美大學) from September 1993 to July 1997. Mr. Tu also served as an independent director of Tsann Kuen (China) Enterprise Co., Ltd., (stock code: 200512, a company listed on Shenzhen Stock Exchange since June 1993).

Mr. Tu obtained his bachelor's degree in science from Fuzhou University (福州大學) and his master's degree in science from Xiamen University in July 1990 and September 1993, respectively. Mr. Tu also obtained the qualification of certified public accountants of the PRC in May 1997.

Mr. Xie Mianbi (謝綿陛), aged 50, is an independent non-executive Director since 19 June 2018. Mr. Xie is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Mr. Xie worked as a lecturer, vice professor and professor of JiMei University (集美大學) successively since August 1998. From August 1990 to July 1998, Mr. Xie worked as a lecturer of Sanming Medical and Polytechnic Vocational College (三明醫學科技職業學院) (formerly known as Fujian Sanming Textile Industry College* (福建三明紡織工業學校) and Fujian Sanming Financial and Economics College* (福建三明財經學校)).

Mr. Xie obtained his bachelor's degree in engineering mechanics from Northwestern Polytechnical University (西北工業大學) and his master's degree in finance from Xiamen University in July 1990 and December 1999, respectively. Mr. Xie also obtained a doctor's degree in economics from Xiamen University in June 2004.

Directors and Senior Management

Senior Management

Mr. Zhang Zhaowei (張兆偉), aged 45, is the deputy general manager of our Group. Mr. Zhang is responsible for sales and marketing matters of our Group. He has been the deputy general manager of Xiamen Byleasing since 2011. Prior to joining our Group, Mr. Zhang worked as an analyst of HSBC Bank (Canada)* (加拿大匯豐銀行) from January 2008 to December 2009 where he was responsible for database maintenance and online application development. From September 2003 to August 2005, Mr. Zhang worked as an analyst of Lianhe Furniture Company* (聯合家具公司) which was principally engaged in sales of furniture and other products. He was responsible for stock analysis and procurement. From July 1994 to May 2000, Mr. Zhang worked as a manager of Xiamen Xingsha Industrial General Company* (廈門星鯊實業總公司) which was principally engaged in production and sales of medicines and animal health products. He was responsible for marketing and sales management.

Mr. Zhang graduated with a bachelor's degree in agricultural science from Huazhong Agricultural University (華中農業大學) in July 1994 and a master's degree in business administration from Xiamen University in June 2002. Mr. Zhang also obtained a bachelor of science degree in computer science from Simon Fraser University (西蒙弗雷澤大學) in September 2009.

Mr. Deng Huaxin (鄧華新), aged 43, is the deputy general manager of our Group, one of our joint company secretaries and the compliance officer. Mr. Deng is responsible for administrative matters of the Board and risk management matters of our Group. Mr. Deng joined our Group in August 2015 as an assistant general manager of Xiamen Byleasing. He was re-appointed as a deputy general manager on 31 December 2016 and has remained in this position up to present. Prior to joining our Group, Mr. Deng worked as a manager of risk management and asset management department of Xiamen CCRE Finance Leasing Co., Ltd.* (廈門海翼融資租賃有限公司), a company principally engaged in finance leasing, from May 2011 to July 2015. He was responsible for project assessment, contract management and general legal matters and leasehold management. From April 2004 to April 2011, Mr. Deng worked as a head of legal department of Xiamen Sea Shine Group Co., Ltd.* (廈門夏商集團有限公司) which was principally engaged in asset and investment management. He was responsible for overall legal matters and risk management and contract review and litigation. Mr. Deng worked as a manager of management department of Xiamen Tea Import and Export Limited* (廈門茶葉進出口有限公司) from April 2001 to March 2004. From July 1999 to March 2001, Mr. Deng worked as a legal specialist of Xiamen Yihong Group Co., Ltd.* (廈門毅宏集團有限公司) which was principally engaged in real estate development. He was responsible for overall legal matters, including contract review and management and litigation.

Mr. Deng graduated from Lanzhou University in June 1999 with a bachelor's degree in law. Mr. Deng is qualified to practice law in the PRC and is an arbitrator of Xiamen Arbitration Commission.

Mr. Zhang Han (章瀚), aged 42, is the deputy general manager of our Group. Mr. Zhang is responsible for sales and marketing matters of our Group. Mr. Zhang joined our Group in August 2016 and served as a deputy general manager since November 2018. Prior to joining our Group, Mr. Zhang worked as a special assistant to the chairman of the board of China Green Foods Group Co., Ltd. (中國綠色食品集團) from January 2015 to July 2016. He was responsibility for management of investment and financing department. Mr. Zhang worked as deputy manager of Xiamen International Bank (廈門國際銀行) Xiamen Branch from January 2011 to December 2014. He was responsible for marketing and sub-branch management. From January 2009 to December 2010, Mr. Zhang worked as a general manager of the sub-branch of Xiamen International Bank. He was responsible for institution management and marketing management. Mr. Zhang worked as a chief representative of Xiamen International Bank Quanzhou Branch (formerly known as Quanzhou representative office) from January 2005 to December 2008. He was responsible for institution management and financial advisory service. From January 2001 to December 2004, Mr. Zhang worked as a director of division III of banking business of Xiamen International Bank. He was responsible for the market development. Mr. Zhang worked as an account manager of the Bank of Communication Xiamen Branch from July 1997 to December 2000. He was responsible for business development.

Mr. Zhang graduated from Jiangxi University of Finance and Economics with a bachelor's degree in economics in July 1997.

Ms. Xu Jianxia (許建霞), aged 45, is the financial manager of our Group. Ms. Xu is responsible for financial and accounting matters of our Group. Ms. Xu joined our Group as the financial manager of Xiamen Byleasing in May 2012. Prior to joining our Group, Ms. Xu worked as financial manager of Xiamen Yuancheng Managing Consulting Co., Ltd.* (廈門市元成企管諮詢有限公司), a company principally engaged in corporate management consulting, from February 2005 to December 2011. She was responsible for financial and accounting matters. From September 1991 to December 2004, Ms. Xu worked as deputy manager of financial department of Fujian Naoshan Paper Co., Ltd.* (福建鐃山紙業有限公司), which was principally engaged in production and sales of paper products. She was responsible for financial and accounting matters.

Ms. Xu graduated from Network Education School of Renmin University of China (中國人民大學網絡教育學院) in July 2008 with a bachelor's degree in marketing. In January 2017, Ms. Xu graduated from Concordia University with a master's degree in business administration.

* *for identification purpose only*

Report of the Directors

The Board is pleased to present this Report of Directors together with the audited consolidated financial statements of our Group for the year ended 31 December 2018 to the Shareholders.

Share Offer

The Company was incorporated in the Cayman Islands on 5 June 2017 as an exempted company with limited liability under the Cayman Islands Companies Law. The Shares were listed on GEM on 18 July 2018.

Principal Actives and Principal Place of Business

Our Group is primarily providing equipment-based finance leasing services, factoring services and advisory services to the customers in the PRC.

Our principal place of business and headquarters in the PRC is at Unit 1, 30/F, No. 77 Tai Nan Road, Siming District, Xiamen, Fujian, the PRC. Our principal place of business in Hong Kong is 31/F, Tower Two Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Business Review

A review of our Group's business for the year ended 31 December 2018 and a discussion on our Group's future business development are set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Certain financial key performance indicators are provided in the section of "Financial Summary" of this annual report.

Important events affecting our Group that has occurred since the end of the Reporting Period are provided in the sub-section headed "Events after the Reporting Period" of this Report of the Directors.

Details of the subsidiaries of the Company are set out in note 13 to the consolidated financial statements of this annual report.

Environment, Social and Governance

Our Group strictly complies with the requirements of Environmental, Social and Governance (the "**ESG**") Reporting Guide set out in Appendix 20 of the GEM Listing Rules, and our Group is committed to incorporating the sustainable development principle into its corporate development strategies and daily operation and management and acting as responsible corporate citizen. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

Compliance with Relevant Laws and Regulations

Our Group persists in maintaining good corporate governance and operating in compliance with the relevant laws and regulations in the PRC, rules and provisions of the Companies Ordinance, the GEM Listing Rules and SFO in Hong Kong. For details, please refer to the sub-section headed "Compliance with Key Regulatory Requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

Report of the Directors

Key Risk Factors

Credit Risk

As a finance leasing company dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals, credit risk is the most significant risk inherent in our business. Credit risk arises from a customer's inability or unwillingness to repay its financial obligations owed to us in a timely manner or at all.

Liquidity Risk

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. If any liquidity difficulty occurs, our business, financial condition and results of operations could be materially and adversely affected.

Political, Economic and Social Conditions

A majority of our operations and assets are located in China, and all of our revenue was derived from our business in China during the Reporting Period. Any negative changes in the political, economic or social conditions in China may have a material adverse effect on our present and future business operations.

These risks are not the only significant risks that may affect the value of the Shares. For more details, please refer to note 22 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 December 2018, the revenue from our top five customers and the largest customer accounted for 55.2% and 19.7% of our total revenue, respectively.

As of 31 December 2018, we had transactions with Customer A, Customer B and Customer C, with a total amount of finance lease receivables, RMB15.5 million, RMB8.5 million and RMB8.4 million respectively, each accounting for more than 10% of our total revenue. Customer A is a large enterprise principally engaged in planning, construction, management and maintenance of street lights. Customer B is a SME principally engaged in real estate marketing planning and brokerage and agency. Customer C is a SME principally engaged in housing construction and municipal roads, tunnels, bridges and buildings construction.

As a finance leasing company, we do not have major suppliers.

Our top five customers are the Independent Third Parties, and to the best knowledge of the Directors, none of the Directors or their respective close associates or any shareholders who own more than 5% of the number of the Company's issued Shares, had any beneficial interest in any of our Group's five largest customers or suppliers aforementioned during the year.

Continuing Disclosure Requirements under the Listing Rules

As of 31 December 2018, the Directors have confirmed that they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to Rules 17.21 of the GEM Listing Rules.

Financial Summary

A summary of the results and of the assets and liabilities of our Group are set out in the section of "Financial Summary" of this annual report. As the Shares were listed on 18 July 2018, the summary only covers the last three financial years. This summary does not form part of the audited consolidated financial statements of our Group.

Financial Statements

The financial results of our Group for the year ended 31 December 2018 and the financial position of our Group as of that date are set out in the section headed "Consolidated Financial Statements" of this annual report.

Report of the Directors

A discussion and analysis of our Group's performance during the Reporting Period and material factors underlying its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

Reserves

Details of movements in reserves of our Group during the Reporting Period are set out in the section of "Consolidated Statement of Changes in Equity" of this annual report, of which details of reserves available for distribution to Shareholders are set out in note 21(e) to the consolidated financial statements of this annual report.

Dividend Policy

Subject to the applicable laws, rules, regulations and the Articles and Association, the Company may distribute the dividend by way of cash, share allotment or any other form in any currency to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on our results of operations, working capital and capital requirements, as well as any other factors considered relevant. A separated resolution of the proposed dividend distribution plan will be submitted by the Board to the Shareholders at the general meeting for their consideration and approval. The distribution of dividend will be completed within three months upon the approval at the general meeting by the Shareholders.

Dividend

The Board has recommended the payment of a final dividend of HK2.1 cents per Share for the year ended 31 December 2018 to Shareholders whose names appear on the Company's register of members on Thursday, 27 June 2019 (the "**Proposed Final Dividend**"). Subject to the approval of the Shareholders at the AGM, the Proposed Final Dividend is expected to be paid on or around Friday, 9 August 2019.

Closure of Register of Members

In order to ascertain Shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019, both days inclusive, during which period no Share transfers will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant Share certificates should be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 13 June 2019.

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Thursday, 27 June 2019, both days inclusive, during which period no Shares transfers will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer documents accompanied by the relevant Share certificates should be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 24 June 2019.

Bank Borrowings and Other Borrowings

Details of bank and other borrowings of our Group as of 31 December 2018 are set out in note 18 to the consolidated financial statements of this annual report.

Share Capital

On 18 July 2018, the Company issued an aggregate of 67,500,000 Shares of HK$0.01 each at the offer price of HK$1.28 per Share by way of Share Offer. There was no change in share capital of the Company from the Listing Date to 31 December 2018. For more details, please refer to the section headed "Consolidated Statement of Changes in Equity" of this annual report.

Report of the Directors

Sufficiency of Public Float

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

Pre-emptive Rights

Pursuant to the Articles of Association and the laws of Cayman Islands, 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

Equity-linked Agreements

Save as disclosed in the sub-section headed "Share Option Scheme", no equity-linked agreements were entered into or subsisted by the Company at any time from the Listing Date to the date of this report.

Directors

The following table sets forth information relating to the Directors:

Name	Age	Position	Appointment Date
Mr. Zhou Shiyuan (周士淵)	30	Chairman and executive Director	05 June 2017
Mr. Chen Xinwei (陳欣慰)	44	Executive Director	05 June 2017
Mr. Huang Dake (黃大柯)	48	Executive Director and general manager	05 June 2017
Mr. Ke Jinding (柯金鍚)	43	Non-executive Director	05 June 2017
Mr. Chen Chaolin (陳朝琳)	45	Independent non-executive Director	19 June 2018
Mr. Tu Liandong (涂連東)	50	Independent non-executive Director	19 June 2018
Mr. Xie Mianbi (謝綿陛)	50	Independent non-executive Director	19 June 2018

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

Biographies of Directors and Senior Management

Biographical details of Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

Service Contracts of Directors

Each of the Directors has entered into a service contract with the Company for a term of three years. Our Group has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Director which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Report of the Directors

Indemnity of Directors

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force from the Listing Date to the date of this report.

Remuneration of Directors and Senior Management

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2018 are set out in notes 7 and 8 to the consolidated financial statements of this annual report.

The remuneration to Directors is subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management are determined by the Board with recommendations of the Remuneration Committee, their respective contractual terms under their employment contracts or service contracts, having regard to their performance, our Group's operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in deciding their own remuneration.

Remuneration paid to each of the members of the senior management of the Company (except for four executive Directors) for the year ended 31 December 2018 is less than RMB420,000. No Director and senior management of the Company has waived or agreed to waive any emoluments from the Listing Date to the date of this report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 December 2018.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the sub-section headed "Continuing Connected Transactions" in this report, none of the Directors or entities connected with a Director had a material interest, either directly or indirectly in any transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party subsisted during the Reporting Period.

Contracts of Significance

Save as disclosed in the sub-section headed "Related Party Transactions" in this report, there had been no contract of significance between the Company and a controlling Shareholder of the Company or any of its subsidiary.

Competing Business

None of the Directors or their respective close associates was engaged in any business which competes or was likely to compete, either directly or indirectly, with the business of the Company during the Reporting Period.

Pension Scheme

Our Group participates in pension scheme administered and organized by the local municipal government of the PRC. Contributions to this pension scheme are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. Our Group has no obligation for the payment of pension benefits beyond the contributions described above.

Compliance with Non-competition Undertaking

Each of Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming has confirmed to the Company that it/he has complied with the deed of non-competition given by them to the Company from the Listing Date to the date of this report. Pursuant to the undertakings, each of them has individually or collectively with any of their respective close associates agreed not to compete with the existing business of our Group and referred the option for new business opportunities to the Company.

The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming.

Arrangement for Directors to Acquire Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Compliance with the Corporate Governance Code

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

Significant Legal Proceedings

From the Listing Date to the date of this report, the Company initiated 15 new legal proceedings to recover overdue payments from our customers. We were subject to one outstanding civil litigation proceeding as one of the defendants arising from the possession of a leased property in a finance leasing agreement. The lessee failed to make lease payments, so we reclaimed the leased property pursuant to the finance leasing agreement. Subsequently, the plaintiff, an Independent Third Party, brought up the case to claim the right to the leased property. As the date of this report, the case has not been adjudged. To the best knowledge of the Directors and after making all reasonable enquiries, this case will not have any material and adverse effect on us because: (i) the value of the leased property is considerably immaterial; and (ii) we have been taking active measures and raised motion to respond to the litigation and will actively involve in the procedures to protect our interests. As these proceedings arose in the ordinary course of our operations and relatively small amounts of finance lease receivables are involved, the Directors believe that these proceedings would not have any material adverse effect on our business, financial condition or results of operations.

Share Option Scheme

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

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 31 December 2018, the Company has no outstanding share option under the Share Option Scheme.

Report of the Directors

Continuing Connected Transactions

From the Listing Date to the date of this report, the following transaction constituted continuing connected transactions under the GEM Listing Rules:

Jingong Machinery Framework Agreement

On 15 December 2017, Xiamen Byleasing, an indirect wholly-owned subsidiary of the Company, entered into a business cooperation agreement with Jingong Machinery (as supplemented by two supplemental agreements dated 23 February 2018 and 19 June 2018, respectively) (collectively, "**Jingong Machinery Framework Agreement**") for a term of three years commencing from 1 January 2018. Pursuant to the agreement, Xiamen Byleasing agreed to provide direct finance leasing services to customers referred by Jingong Machinery by purchasing the designated equipment (namely hydraulic excavator and loader) from Jingong Machinery, its affiliates or its distributors and leasing such equipment to those customers. Those customers are designated by Jingong Machinery and approved by Xiamen Byleasing. In return, Jingong Machinery provides us with a guarantee from the performance of the customers under the leases.

The annual cap of the transaction for the year ended 31 December 2018 was RMB40,000,000. The total amounts paid by Xiamen Byleasing for purchasing equipment manufactured by Jingong Machinery pursuant to the direct finance leasing transactions under the Jiingong Machinery Framework Agreement for the year ended 31 December 2018 were RMB7,408,000.

Jingong Machinery has long working relationship with us in direct finance leasing. Our customers, who are normally potential or existing customers of Jingong Machinery in need of financing, are introduced by Jingong Machinery. By providing finance leasing service to these customers, we could access and serve the customers sourced from Jingong Machinery. In addition, Jingong Machinery undertakes to repurchase the leased equipment from us in case of default.

As Jingong Machinery is a company directly owned by Mr. Ke Jinding and Mr. Ke Shuiyuan (brother of Mr. Ke Jinding) both as to 50%. Jingong Machinery is an associate of Mr. Ke Jinding, a non-executive Director, and hence a connected person (as defined in the GEM Listing Rules) of the Company. Therefore, the transactions contemplated under the Jingong Machinery Framework Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the annual amounts payable for each of the three years ending 31 December 2018, 2019 and 2020 is more than 5%, the transactions contemplated under the Jingong Machinery Framework Agreement is subject to the annual review, reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.103 of the GEM Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules relating to the abovementioned non-exempt continuing connected transactions.

Directors, including our independent non-executive Directors, are of the view that the continuing connected transactions under the Jingong Machinery Framework Agreement has been and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board engaged the auditor of the Company to report on the Company's continuing connected transactions. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention that cause them to believe that the continuing connected transactions: (i) have hot been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of our Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual cap as set by the Company.

Related Party Transactions

Save as disclosed in the sub-subsection headed "Continuing Connected Transactions" in this report, the related party transactions set out in note 25 to the consolidated financial statements constitute continuing connected transactions. Since the transactions will be conducted on normal commercial terms or better, and each of the applicable percentage ratios for such transactions calculated in accordance with Chapter 19 of the GEM Listing Rules is less than 5% and the annual consideration was less than HK$3,000,000. The transactions will constitute continuing connected transactions fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Rule 20.74 of the GEM Listing Rules.

Events after the Reporting Period

The Board proposed a final dividend of HK2.1 cents per Share for the year ended 31 December 2018.

Save as disclosed above and in note 27 to the consolidated financial statements of this annual report, the Board is not aware of any events after the Reporting Period.

Donation

No charitable and other donations were made by our Group during the year ended 31 December 2018.

Interest of Compliance Adviser

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

Audit Committee

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

Auditor

The consolidated financial statements for the year ended 31 December 2018 have been audited by KPMG, who has remained as the Company's auditor since the Listing Date and shall retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as an auditor of the Company is to be proposed at the AGM.

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

As of 31 December 2018, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Notes:

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

(2) Zijiang Capital is directly interested in approximately 14.06% of the issued Shares. The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn approximately 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Jinding is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

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

Save as disclosed above, as of 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Interests and Short Positions of Substantial Shareholders

As of 31 December 2018, the persons or corporations (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Notes:

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

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

(3) The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn approximately 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Shuiyuan is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

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

Save as disclosed above, as of 31 December 2018, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

On behalf of the Board

Zhou Shiyuan
Chairman and executive Director

20 March 2019

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the Code Provisions of the CG Code set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance practice from time to time. From the Listing Date to the date of this report, the Company has fully complied with the Code Provisions.

Composition of the Board of Directors

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

As of 31 December 2018, the Board comprised three executive Directors, namely, Mr. Zhou Shiyuan, Mr. Chen Xinwei and Mr. Huang Dake, one non-executive Director, namely, Mr. Ke Jinding, and three independent non-executive Directors, namely, Mr. Chen Chaolin, Mr. Tu Liandong and Mr. Xie Mianbi.

Their biographical details are set out in the section headed "Directors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the websites of the Exchange and the Company.

There is no financial, business, family or other material or relevant relationships among members of the Board and members of the senior management of the Company.

Duties of the Board of Directors and the Senior Management

The Board is responsible for our Group's strategic planning, advising on and supervising the implementation of strategic planning and overall operation of our Group. The Board also is responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of our Group, and the training and continuous professional development of Directors and senior management of the Company. The Directors take decisions objectively in the joint interests of the Company and its Shareholders.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company's businesses to the executive Directors and members of senior management of the Company. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. 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.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at our Group's expense upon their request.

The senior management of the Company is primarily responsible for the administrative matters of the Board, risk management matters, financial and accounting matters and sales and marketing matters of the Company.

Corporate Governance Report

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

From the Listing Date to 31 December 2018, the Board held three meetings to review our financial information, review and monitor the policies and practices on corporate governance and legal and regulatory compliance of the Company. The senior management supervised the daily operations of the Company, identified and reported the potential risks to the Board.

Chairman and Chief Executive Officer

Mr. Zhou Shiyuan is the chairman of the Board responsible for our Group's strategic planning, overall operation and managing the Board. The chairman is also responsible for ensuring good corporate governance practices.

Mr. Huang Dake, as the general manager of the Company, is responsible for supervising the overall management, daily operations and marketing management of our Group.

Independence of Independent Non-executive Directors

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent under these independence criteria and are capable of effectively exercising independent judgement.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of our Group.

All Directors received training materials on the latest development of the GEM Listing Rules regarding their duties and the general introduction of Chapter 10 of the GEM Listing Rules from the Company and its external legal adviser to ensure compliance and enhance their awareness of good corporate governance practices.

Corporate Governance Report

A summary of trainings received by the Directors for the year ended 31 December 2018 is as follows:

Name of Directors	Reading materials
Executive Directors	
Mr. Zhou Shiyuan	✓
Mr. Chen Xinwei	✓
Mr. Huang Dake	✓
Non-executive Director	
Mr. Ke Jinding	✓
Independent non-executive Directors	
Mr. Chen Chaolin	✓
Mr. Tu Liandong	✓
Mr. Xie Mianbi	✓

Directors' Insurance

Our Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are respectively available on the websites of the Exchange and the Company. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Audit Committee consists of three members, namely Mr. Tu Liandong (independent non-executive Director), Mr. Chen Chaolin (independent non-executive Director) and Mr. Ke Jinding (non-executive Director). Mr. Tu Liandong currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review our financial information, oversight our financial reporting system, risk management and internal control systems, nominate and monitor external auditors, develop, review and monitor our corporate governance functions and to provide advice and comments to the Board.

The Audit Committee held two meetings during the period from the Listing Date to 31 December 2018. The Audit Committee has reviewed the interim financial statements, results and report of our Group for the six month ended 30 June 2018 and the third quarterly financial statements and results of our Group for the nine months ended 30 September 2018 and also the significant issues on the financial reporting and compliance procedures, internal control and risk management systems and its effectiveness.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Chen Chaolin (independent non-executive Director), Mr. Xie Mianbi (independent non-executive Director) and Mr. Huang Dake (executive Director). Mr. Chen Chaolin currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to evaluate the performance, make recommendations on the remuneration of our senior management, executive Directors and non-executive Directors to members of the Board, review and approve compensation payable to executive directors and management for any loss or termination of office, and also review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct.

The major objective of our remuneration policy is to develop and review the remuneration package of individual executive Director and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, goals and objective of the Company, and recommend the remuneration proposals to the Board and ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held one meeting during the period from the Listing Date to 31 December 2018. The Remuneration Committee has discussed and suggested the service contracts and remuneration of Mr. Zhang Han, a deputy manager of our Group.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Zhou Shiyuan (executive Director), Mr. Tu Liandong (independent non-executive Director) and Mr. Xie Mianbi (independent non-executive Director). Mr. Zhou Shiyuan currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and Board Committees, assess the independence of independent non-executive Directors, determine and review the Board's diversity policy and nomination policy and recommend to the Board on the appointment or re-appointment of Directors.

No meeting was held by the Nomination Committee during the period from the Listing Date to 31 December 2018.

Board Meetings and General Meetings

The Company intends to hold Board meetings regularly, at least four times a year. A notice will be given not less than 14 days for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. A Director may attend the Boards meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The joint company secretaries of the Company are responsible for preparing and keeping the documents and records of Board meetings. Draft minutes and final versions of each Board meeting and Board committee meeting will be sent to all Directors or committee members for their comments within a reasonable time after the date on which the meeting is held.

In addition, in order to facilitate open discussion with all non-executive Directors (including independent non-executive Directors) and at their request, the chairman will meet with the non-executive Directors (including independent non-executive Directors), in the absence of executive Directors and senior management, at least once a year after a regular Board meeting.

During the period from the Listing Date to 31 December 2018, three Board meetings were held and no general meetings were held, and the attendance record of each Director is set out in the table below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Mr. Zhou Shiyuan	3/3	N/A	N/A
Mr. Chen Xinwei	3/3	N/A	N/A
Mr. Huang Dake	3/3	N/A	1/1
Non-executive Director			
Mr. Ke Jinding	3/3	2/2	N/A
Independent non-executive Directors			
Mr. Chen Chaolin	2/3	1/2	0/1
Mr. Tu Liandong	3/3	2/2	N/A
Mr. Xie Mianbi	3/3	N/A	1/1

Corporate Governance Report

Updates on Directors' Information

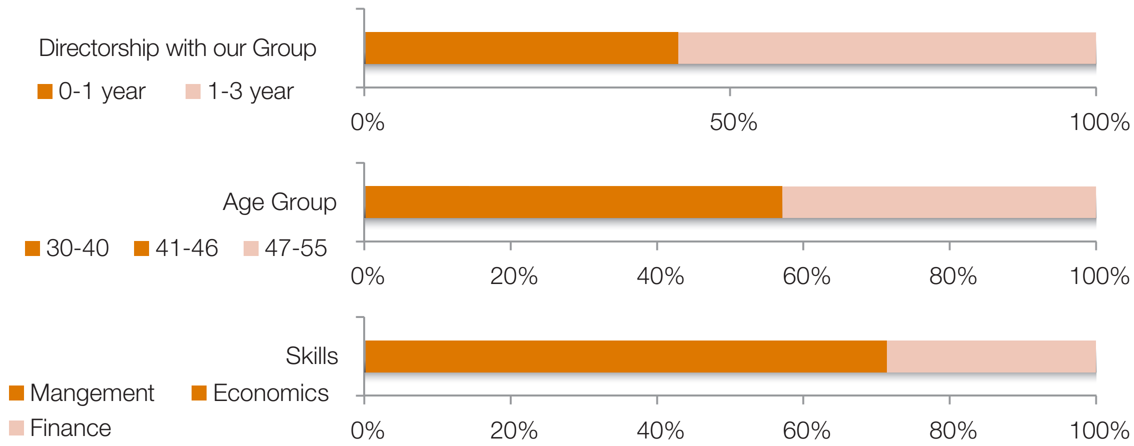
From the Listing Date to 31 December 2018, there were no changes in Directors. All existing Directors have been appointed for a fixed term of three years with a service contract. Pursuant to Article 84 of the Articles of Associations and provision A.4.2 of the CG Code, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, each of Mr. Huang Dake, Mr. Chen Chaolin and Mr. Xie Mianbi, being eligible, offers himself for re-election at the AGM.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Code of Conduct, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

Board Diversity Policy

The Board adopted a board diversity policy (the "**Board Diversity Policy**") in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.



Nomination Policy

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director with in the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;

- Experience and accomplishment in finance leasing industry, including but not limited to business development, risk control, leaseback management, relationship with customers and etc.;

- Commitment in performing the duties as a director and a member of the Board committees (if applicable);

- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board; and

- For the candidate who is currently an employee of the Company, his performance, contribution, employment period, integrated assessment and etc.

Service Contracts of Directors

Each of the Directors has entered into a service contract with the Company and each service contract is for a term of three years. Directors shall be elected by our Shareholders at the Shareholders' general meeting with a term of three years. Each Director can be extended upon re-election.

Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Required Standard of Dealings for Securities Transactions

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

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

Joint Company Secretaries and Compliance Officer

Mr. Deng Huaxin, the deputy general manager of the Company, is the compliance officer and one of the joint company secretaries. Ms. Ng Ka Man, a manager of the Listing Department of TMF Hong Kong Limited, the external service provider, is our joint company secretary. Mr. Deng is her primary contact person of the Company. Both Mr. Deng and Ms. Ng, as the joint company secretaries, have complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

The biographical details of Mr. Deng Huaxin, please refer to his details as set out in the section of "Directors and Senior Management" in this annual report. Ms. Ng Ka Man obtained her master degree in Corporate Governance from The Open University of Hong Kong in 2011. She is an associate member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Responsibilities of Financial Reporting

The Board acknowledges its responsibility to prepare our Group's financial statements which give a true and fair view of our Group's state of affairs, results and cash flows for the quarterly, interim and annual reports and other disclosures according to the GEM Listing Rules, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance.

Our Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. 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. To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions that may affect the business of our Group or cast doubts on its ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

External Auditor and Auditor's Remuneration

KPMG has been appointed as the external auditor of the Company and provided an annual confirmation of their independence to the Audit Committee for the year ended 31 December 2018. They confirmed that they are not aware of any matters which could be reasonable through to bear on their independence.

The Audit Committee has been notified of the nature and the service charges of these audit and non-audit services performed by KPMG. For the year ended 31 December 2018, the Company should pay KPMG a total fee of RMB2,980,000 (tax included), which includes RMB300,000 (tax included) for review services for the six months ended 30 June 2018, RMB1,980,000 (tax included) for the Listing services and unpaid RMB700,000 for the audit services. The Audit Committee considered such services have no adverse effect on the independence of the external auditor.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor under the annual review.

Corporate Governance Report

Communication with Shareholders

The Company aims to, via its corporate governance structure, provide all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. The Company convenes the Shareholders' general meetings with the notice of the meeting and separate resolutions in printed form or electronic form by posting on the website of the Exchange and the Company in compliance with the relevant rules and regulations. The Company highly values the opinions, suggestions and concerns of the Shareholders. The chairman of the Board and Board Committees and the auditor will attend the annual general meeting to answer questions.

Convening Extraordinary General Meetings

Pursuant to the Articles of Association, any Shareholder(s) at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days, such Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by such Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

Shareholders could use the same way of convening an extraordinary general meeting as above to put forward proposals in detail at general meetings.

Enquiries to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make enquiries by either directly raising questions to the Board and Board Committees at the general meetings or providing written notice of such enquires for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Constitutional Documents

Pursuant to the resolutions of the Shareholders passed on 20 June 2018, the Articles of Association was adopted with effect from the Listing Date which is available on the websites of the Exchange and the Company.

Investor Relations

Since the Listing Date to the date of this report, the Company has maintained corporate transparency and communications with the Shareholders through timely distribution of financial reports, latest news, announcements and/or other publications. The Company's website provides an effective communication platform to keep the market abreast of the latest developments.

Risk Management and Internal Control

Since the Listing Date to 31 December 2018, our Group is committed to maintaining comprehensive risk management and internal control systems that enhance our overall strategy and long-term strategic position while addressing various risks, including credit risks, market risks, operational risks, liquidity risks, strategic risks and reputational risks. Our Group has implemented a comprehensive and effective risk management system with stringent procedures and measures in place, including multi-level assessments and approval processes, to offer our customers customized repayment plans and interest rates based on their respective credit profiles and historical transaction records. The final review and approval conducted by our risk management department and our general manager respectively. The regular post-grant reviews conducted on a quarterly basis to monitor our customers' financial condition and the sustainability of their business operations. Our Group believes that the risk management system we have in place is effective in reducing our exposure to the various risks inherent in our operations.

The Board oversees and manages the overall risks associated with our operations. Our risk management department is responsible for assessing, managing risks and discussing solutions at the operational level. The Audit Committee meets with the head of the risk management department to address material internal control defects (if any) and the results of risk assessment to the Board for its review. The Board oversees our Group's risk management and internal control systems on an ongoing basis. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board conducts an annual review of the effectiveness of our Group's risk management and internal control systems covering all material aspects. Since the Listing Date to the date of this report, the Board considered the risk management and internal control systems were effective and adequate in all material aspects in both design and operation.

The Company is fully aware of its obligations under Chapter 17 of the GEM Listing Rules and the SFO and the overriding principle that inside information of the Company should be announced immediately. The Company reviews from time to time its internal policies and guidelines on inside information or potentially price sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the SFO.

Since the Listing Date to the date of this report, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications. The purpose of streamlining the communications of the Company with the media is to regulate all media communication activities, protect the interests of the Company and keep inside information strictly confidential prior to its disclosure. The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current structure and scope of the Company's operations.

Environmental, Social and Governance Report

About the Report

Report Overview

This report is the first Environmental, Social and Governance ("ESG") Report issued by Byleasing Holdings Limited, which discloses our ESG performances and management policies.

Reporting Period:
This report is an annual report covering the period from 1 January 2018 to 31 December 2018.

Reporting Scope:
This report covers the Company and its subsidiaries (hereafer refered to as, the "Group").

Preparation Basis of the Report:
This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") as set out in the Appendix 20 of the GEM Listing Rules.

Data Explanation:
The relevant information of this report is extracted from the internal system of our Group.

Review of the Report:
The report has been reviewed and approved by the Board on 20 March 2019.

Publication of the Report:
This report should be published in printed form and electronic form.

1. ABOUT US

1.1 Group Profile

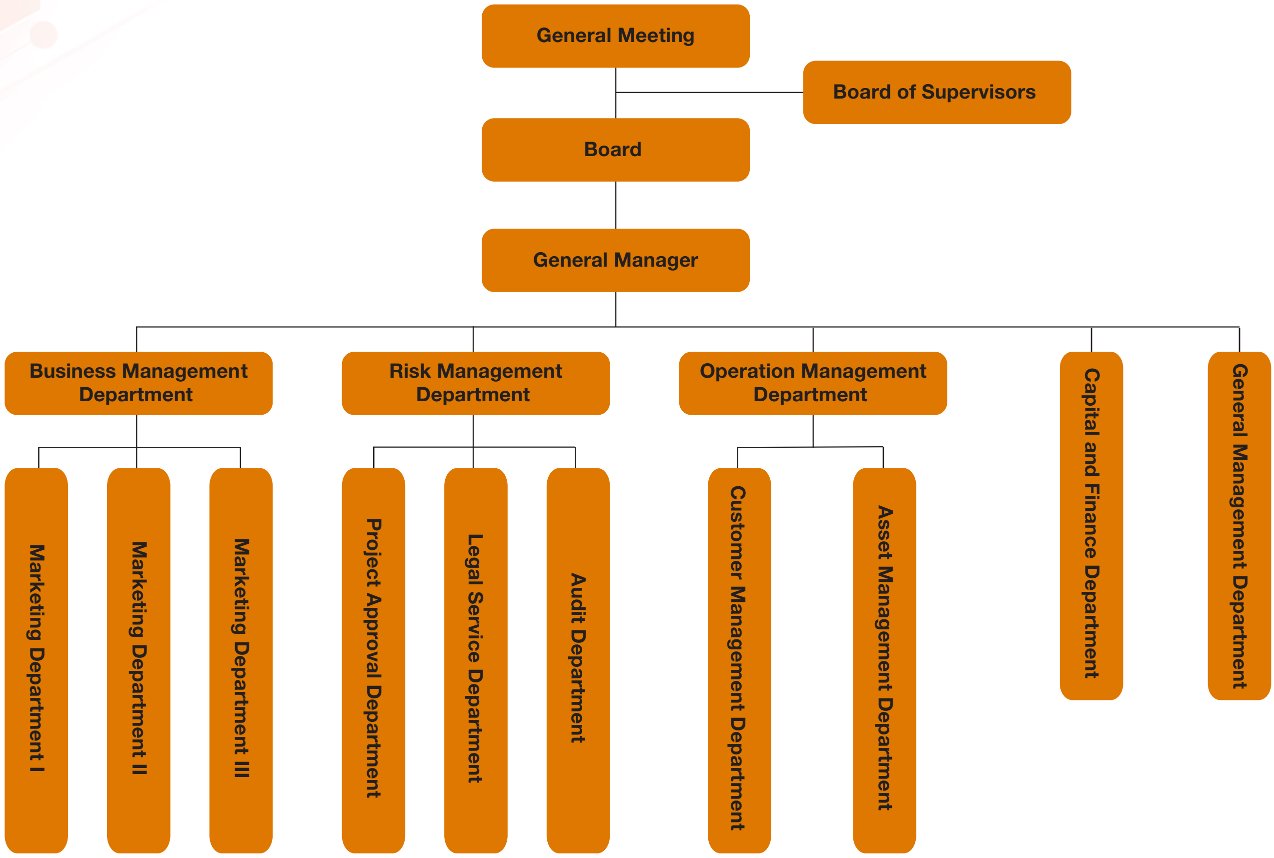
Our history can be traced back to March 2010, in which our principal operating subsidiary, Xiamen Baiying Leasing Co. Ltd., was incorporated in Xiamen. The Company was officially listed on GEM of the Stock Exchange on 18 July 2018 (stock short name: Byleasing; stock code: 8525). We are a finance leasing company in Fujian Province, dedicated to providing equipment-based financing solutions to SMEs, entrepreneurial individuals and renowned large enterprises. We have the qualifications to conduct finance leasing and commercial factoring for receivables and related businesses.

Since our Group's establishment, we have been providing customised services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Over years, we have accumulated experience in meeting financing needs of customers from major sectors such as textile, clothing and special-purpose equipment. We have over 1,000 customers spreading over more than 20 provinces since our establishment.

Our business strategy is to become the leading finance leasing company in PRC. Besides, the Group proactively undertakes the corresponding environmental, social and governance responsibilities, consistently strengthens our corporate governance, and actively serves the real economy, as well as supports for the development of SMEs, so as to make contribution to create an harmonious and sustainable social environment.

1.1.1 Optimizing the Corporate Governance

Our Group is committed to maintaining a high standard of corporate governance and publicly safeguard the interests of the Shareholders (see "Corporate Governance Report" for details). The corporate governance structure is as below:



1.1.2 ESG Management

We continue to strengthen our ESG management and incorporate that into our business management to promote our Group's sustainable development, as well as realize and protect the most important interests of our investors, employees and other stakeholders. The Board proactively participates in relevant processes of ESG reporing, in which they are responsible for assessing and determining the ESG-related risk, ensuring the development of a suitable and effective ESG risk management and internal control system and approving the ESG policies and ESG report at the end. ESG executive team included the Group's management and representatives of General Management Department. They are responsible for preparing ESG report and compiling information on relevant performance indicators, promoting the executor of ESG policies in all departments and reporting to the Board on the implementation of ESG project. Under the supervision of the Board and ESG executive team, each department of the Company will actively work together for the implementation of ESG report.

1.1.3 Improving Internal Control and Compliance

The Board is responsible for supervising the design, implementation and supervision of the risk management and internal control systems conducted by the management. The Board annually reviews the effectiveness of the risk management and internal control systems of our Group, assesses whether the risk management institutions, management process and staff deployment meet the requirements of the risk management, as well as supervises whether the overall regulatory requirements are satisfied in terms of finance, operation and compliance. The Board reports to the Shareholders the review of the risk management and internal control in the Corporate Governance Report annually.

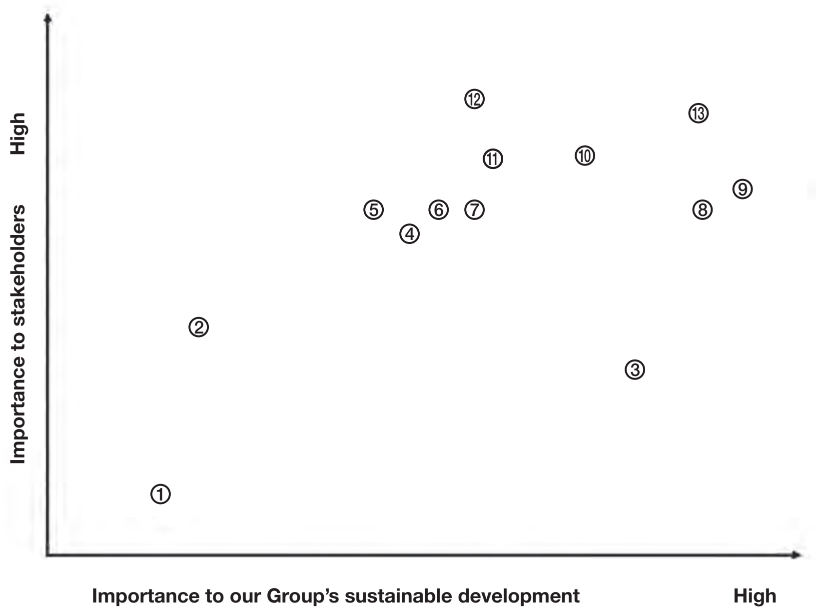
1.1.4 Stakeholder Analysis

As a listed group on GEM, we place great emphasis on fulfilling its environmental, social and governance responsibilities. In addition to ensure our operation is conducted in compliance with the laws and regulations, our Group attaches great importance to communicate with the stakeholders, including government, Shareholders and investors, customers, suppliers and employees. By establishing an effective and diversified communication platform, we could timely understand their demands and actively make corresponding responses.

Stakeholders	Demands	Communication Platform	Responses
Government	Promoting economic development Anti-Corruption Green operation	Government document Special report Government visit receptions On-site checking and inspection	Serving the real economy Supporting the SMEs Promoting paperless operation
Shareholders and Investors	Strengthen corporate governance	General meeting Regular notice The Group's website	Steady operation, optimising the disribution of dividend Improving operation performance
Customers	Safeguarding customers' information	Regular communication Regular visit Customer feedback Complaint mechanism	Improving service quality Strengthening the protection of customer rights and interests Enhancing the support for small and micro enterprises
Suppliers	Fair procurement	Regular assessment Customer Specification	Refining management system of suppliers Establishing long-term partnership with suppliers
Employees	Employee career development Protecting employee rights and interests Employee remuneration and benefits Employee trainings	Internal website Employee trainings Mailbox of Human Resources Department	Protecting employee basic rights and interests Refining remuneration and incentive schemes Listening to employees' opinions

1.2 Materiality Matrix

Our Group considers the demands of the stakeholders and our Group's long-term strategic development, and determines the issues based on the requirements of the "ESG Reporting Guide" and the feedbacks from the questionnaire.



① Contributing to the Community
② Green operation
③ Developing inclusive finance
④ Protecting consumer & rights and interests
⑤ Caring for employees
⑥ Protecting employee rights and interests
⑦ Supporting the SMEs
⑧ Innovating financial products
⑨ Improving service quality
⑩ Improving internal control and compliance
⑪ Employee career development
⑫ Improving corporate governance
⑬ Serving the real economy

2. ECONOMIC RESPONSIBILITIES

Along with the industrial reform and equipment upgrade in China, the steady growth in fixed asset investment in China creates a greater potential for the development of the finance leasing industry. Fujian Province has become one of the fastest developing provinces for the finance leasing industry in China. Benefitting from the economic support of Fujian Province, our Group growth rapidly and regards enhancing its capability of serving the real economy as its own responsibility. Our Group is dedicated to providing finance leasing services to customers, especially the SMEs. Through providing such services, we not only achieved mutual benefits with our customers, but also provide a more convenient financing channel for the SMEs.

2.1 Serving the Real Economy

In order to satisfy the actual demand from diversified and different customers and serve the real economy development. As of 31 December 2018, the total net finance leasing for serving the real economy provided by the Group amounted to RMB437.3 million; as of 31 December 2017, the total net finance leasing for serving the real economy provided by the Group amounted to RMB619.9 million.

2.2 Supporting the SMEs

In response to the national supportive policies for SMEs, our Group developed scientific and practical finance leasing plans for the SMEs based on the principles of controllable risk and sustainable business. As of 31 December 2018, the total net finance leasing for supporting for SMEs provided by the Company amounted to RMB371.2 million; as of 31 December 2017, the total net finance leasing for supporting for SMEs provided by the Company amounted to RMB362.8 million.

2.3 Developing Inclusive Finance

Finance leasing groups undertake the mission and responsibility of developing inclusive finance due to the inherent nature of finance leasing. As one of the few small financial groups in the leasing industry of Fujian Province, our Group recognizes that we should be the vital driver for the inclusive financial system. Our Group's service targets are mainly SMEs and entrepreneurial individuals, and our Group provides financing channel to support their sustainable development and addresses their ongoing liquidity needs, as well as promotes harmonious and sustainable development to the society.

2.4 Innovating Financial Products

Following the continuous development of finance leasing industry and the ever-changing financial regulatory environment, finance leasing industry is presented with new opportunities and challenges. On the basis of promoting traditional business model of finance leasing, the Group is proactively exploring the innovation of business development model and products, in order to fully maximizing the advantages from the Pilot Free Trade Zone. On the premise of cost-savings, the Group established scientific business management procedure and, improved risk control mechanism, thereby enhancing its management capability of assets.

2.5 Anti-financial Crime

As a quasi-financial service group, all businesses operated by our Group complied with the national and local laws and standards regarding anti-bribery and anti-money laundering. In accordance with the Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法), Anti-Money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) and relevant regulations, we have established a series of internal policies and procedures, such as anti-money laundering, anti-bribery and anti-corruption, to avoid the risks of financial crime. As of 31 December 2018, there is no corruption cases in our Group, neither any outstanding or concluded litigations regarding corruption have brought against our Group or its employees.

Employees of our Group must strictly comply with the relevant local laws and regulations concerning anti-bribery and anti-corruption. Our employees shall report to the senior management and general management department and wait for feedbacks in the event that they have conflict of interest with their duties during their terms of employment. If employees find violations of relevant laws and regulations regarding corruption and bribery and the requirements of our Group, all confirmed cases will be seriously dealt with; and for the case of violation of national laws and regulations, it shall be passed to the judicial authority for handling.

Our Group has set up a leading team for anti-money laundering and the general manager shall act as the leader. The team is responsible for organizing and planning the anti-money laundering works, establishing a sound management mechanism for anti-money laundering as well as organizing and arranging the drafting and revision of relevant policies and procedures. The team will also monitor the information and status of the anti-money laundering work in accordance with actual business conditions and make corresponding recommendations, and carry out necessary promotion and training of anti-money laundering to our employees.

3. ENVIRONMENTAL RESPONSIBILITIES

3.1 Green operation

The principal businesses operated by our Group are finance leasing and provison of advisory services, which are not the main source of the environmental pollution. Moreover, the businesses of our Group do not involve production activities. Thus the total amount of emission, use of resources and production of waste are low. Notwithstanding this, our Group still places high emphasis on energy conservation and environmental protection. During the Reporting Period, we have strictly complied with relevant laws and regulations, such as Environmental Protection Law of the PRC (中華人民共和國環境保護法), Energy Conservation Law of the PRC (中華人民共和國節約能源法) and Water Law of the PRC (中華人民共和國水法). During the Reporting Period, our Group was not subject to any punishments and legal proceedings resulting from violating environmental issues.

During the Reporting Period, our Group urged and encouraged employees to focus on rational use of electricity, water conservation, green office and low-carbon travel, and identified a number of feasible measures:

Rational Use of Electricity

Use energy-efficient appliances, switch off unnecessary lighting and replace incandescent lamps

Switch to low-energy-consumption sleep mode when not in use

Water Conservation

Enhance the awareness of water conservation and report to the property management promptly when there is "dripping" on the water-withdrawal equipment

Foster good water consumption habit and recycle water resources

Low-carbon Travel

Encourage employees to travel by public transportation to minimize the frequency of using official vehicles

Choose vehicles or new energy vehicles with low energy consumption and less pollution when acquiring new business vehicles

Green Office

Opt for paperless procedures wherever practicable, reduce the frequency of printing and faxes and promote two-sided printing and copying

Lower the brightness of the monitor in the extent that not affecting the viewing and turn off the monitor when not in use

3.2 Emission

The Group recognizes that it is the responsibility for all corporations to minimize the emission of pollutants and the use of resources while mitigating carbon footprints.

In 2018, our Group started to count and calculate the greenhouse gas emission caused by our business. According to the Reporting Guidance on Environmental KPIs, the Scope I greenhouse gas ("**GHG**") emission is mainly contributed by the exhaust gas from official vehicles of the Group; Scope II GHG emission is contributed by the indirect emission caused by purchased electricity of our Group; and Scope III GHG emission is contributed by the greenhouse gas emission from the airplanes for business travel by the Group's employees.

In terms of wastes, the non-hazardous wastes of our Group are mainly household wastes that are handled by the property management group of the building. On the other hand, our hazardous wastes are mainly electronic wastes in the office including ink cartridges, toner cartridges and ribbon cartridges. In order to properly dispose hazardous wastes, all used ink cartridges and toner cartridges are collected and returned to suppliers for recycling.

Gas Emission	Unit	2018
Emission of Nitrogen Oxide (NO_x)	Kg	**48.13**
Emission of Sulphur Dioxide (SO_2)	Kg	**0.07**
Emission of Particles	Kg	**4.61**

Greenhouse Gas Emission	Unit	2018
Scope I: Direct greenhouse gas emission (CO_2 equivalent)	Ton	**11.91**
Scope II: Energy indirect greenhouse gas emission (CO_2 equivalent)	Ton	**78.54**
Scope III: Other indirect greenhouse gas emission (CO_2 equivalent)	Ton	**11.88**
Total Greenhouse Gas Emission (CO_2 equivalent)	Ton	**102.33**
Greenhouse gas emission per capita (CO_2 equivalent)	Ton/person	**3.65**

The calculation of emission is mainly with reference to the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

3.3 Use of Resources

Our Group highly values the effective utilization of resources. In order to utilize resources responsibly and thereby diminishing the emission of greenhouse gas, we have set up policies to use resources efficiently and encourage and promote the awareness of energy conservation.

The resources used by the Group are mainly electricity, vehicle fuel, water supply and papers. The operation of the Company is mainly in the office, whereas water supply is provided by municipal companies. There are no problem being encountered in obtaining suitable water sources, and the monthly fixed water bill is only paid by the Group in accordance with the invoices issued by property companies.

As of 31 December 2018, our Group has no finished products and has not applied any packaging material for finished products.

During the Reporting Period, we collected the environmental data in terms of the use of resources of the headquarters of our Group and principal place of business in the PRC (located at Huijin International Centre).

Use of Resources	Unit	2018
Electricity consumption	kWh	**16,521.00**
Electricity consumption per capita	kWh/person	**590.04**
Fuel consumption	Litre	**5,048.55**
Fuel consumption per capita	Litre/person	**180.31**
Water consumption*	Ton	**3.36**
Water consumption per capita	Ton/person	**0.12**
Copy paper consumption	Ton	**0.27**
Copy paper consumption per capita	Ton/person	**0.01**

* The above information is about bottled drinking water only

3.4 Environment And Natural Resources

Due to the nature of our business, our operation of the Group does not cause any material effect on environment and natural resources; however, we are making efforts to minimize the effect. We take a number of factors into our consideration during the procurement process, including performance on saving energy, low carbon and recyclability. We also improve employees' awareness on environmental issues and incorporate being environmental friendly and low carbon in the Staff Handbook as a reminder. Our Group focuses on sustainable development and uphold its commitment to operate in an environmentally friendly manner.

4. SOCIAL RESPONSIBILITIES

4.1 Protecting Employee Rights and Interests

Our Group considers our employees as the most valued asset for promoting the long-term and sustainable development of our Group. We are strictly in compliance with relevant laws and regulations, such as the Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法) and Social Insurance Law of the PRC (中華人民共和國社會保險法). Candidates and employees are treated fairly and equally, and none of them will experience discrimination for any reason. The Group prohibits the employment of child, forced or compulsory labour. We comply with the Protection of Minors Law of the PRC (中華人民共和國未成年人保護法) and Provisions on the Prohibition of Using Child Labor (禁止使用童工規定) and stipulated the basic requirement of employment in the Staff Handbook that all employees shall be aged 18 or above. During the Report Period, there is no event involves child employment or forced labour.

Our Group has formulated Staff Handbook according to the Labour Law of the PRC（中國勞動法）covering the policies of human resource and working conditions, such as recruitment and promotion programme, training, performance appraisal, remuneration and welfare, working hours, leaves and other holidays (including wedding leave, compassionate leave and maternity leave). Such policies could clearly define the rights and obligations of both parties and safeguard the legal rights of the employees.

Statistics on Employee	Unit	2018
Headcount	person	**28**
Male Employee	person	**16**
Female Employee	person	**12**
Employee with Doctoral degree	person	**1**
Employee with Master degree	person	**2**
Employee with Bachelor degree	person	**20**
Employee with Diploma or below	person	**5**
Employees in Fujian Province	person	**23**
Employees outside Fujian Province	person	**5**
Employee aged 30 years old or below	person	**10**
Employee aged 31 to 40 years old	person	**12**
Employee aged 41 to 50 years old	person	**6**

Our Group attaches importance to improve the management of employee turnover. Pursuant to the relevant national laws and regulations, we standardize the procedures for departure, safeguard the legitimate rights and interests of resigned employees and ensure the stable operation of our Group.

Statistics on Employee Turnover	Unit	2018
Total turnover number	**person**	**7**
Total Turnover rate of employees	**%**	**20.00**
Turnover rate of male employees	%	**11.11**
Turnover rate of female employees	%	**29.41**
Turnover rate of employees of 30 years old or below	%	**16.67**
Turnover rate of employees from 31 to 40 years old	%	**25.00**
Turnover rate of employees from 41 to 50 years old	%	**14.29**
Turnover rate of employees in Fujian Province	%	**20.69**
Turnover rate of employees outside Fujian Province	%	**16.67**

4.2 Caring for Employees

4.2.1 Health and Safety

Our Group always values employees' health and safety. We provide medical examination for our employees annually and have maintained personal medical and accident insurance for them. Our Group have paid RMB25,000 for medical examination and employees' insurance in 2018. Additionally, we conduct fire drill regularly every year to improve employees' safety skills, thus lowering the occupational safety risk of the staff.

We implement a working hour system of not working more than 8 hours a day and not more than 40 hours a week, which complies with the requirements of national and local government. We do not suggest overtime work and encourage employees doing exercise after work.

During the Reporting Period, there was no work-related death or injury of employees at the workplace.

4.2.2 Employee Care

Our Group proactively carried out employee caring activities and created a quality working environment for employees. We also focus on their work-life balance, in which we actively organized a variety of activities, such as rock climbing and team building activities, to develop their friendship and foster an united and friendly corporate atmosphere and thereby heightening their belongingness and well-being.

4.3 Staff Career Development

4.3.1 Training

Our Group attaches great importance to employee training. We provide employees with diverse on-the-job training to enhance their work capabilities and strengthen our competiveness. In accordance with the requirements of the "Staff Handbook", induction trainings are provided for newly recruited employees to help them familiarize with our corporate culture and group background. Based on the Group's development and work duties, specialized business trainings, including but not limited to sharing of direct leasing business expansion, requirements for preparing project proposals and key analysis, were provided for employees. To ensure our Group acts in compliance with finance and tax laws and regulations, various finance trainings were organized to keep finance staffs abreast of the latest developments in laws and regulations including but not limited to Accounting Standards for Business Enterprise No. 21 – Lease Amended Seminars* (租賃修訂研討會), Sunny Finance and Tax Training* (陽光財稅培訓) and etc. Affiliated Person seminars organized by the Hong Kong Institute of Chartered Secretaries as well as directors and senior management's trainings were held to ensure the implementation and refinement of listing compliance work.

Statistics on Staff Trainings	**Unit**	**2018**
Total training time	Hour(s)	**366**
Training time per capita	Hour(s)/ Participant(s)	**13.07**
Average training time per senior staff	Hour(s)/ Participants	**13**
Average training time per middle level staff	Hour(s)/ Participant(s)	**15.04**
Average training time per bottom level staff	Hour(s)/ Participant(s)	**17.06**
Average training time per male staff	Hour(s)/ Participant(s)	**8**
Average training time per female staff	Hour(s)/ Participant(s)	**25.56**

* For identification purpose only

4.3.2 Promotion and Development

Our Group offers employees with career ladders not merely a job. In addition to diverse trainings, our Group encourages employees to enhance their own performance through a well-established performance appraisal system and management measures on promotion. Official evaluation on employees' performance will be conducted on an annual basis. Furthermore, employees will discuss the performance evaluation report for the year with the persons-in-charge of the departments they belong to.

4.4 Suppliers

Our suppliers are mainly from Fujian Province and primarily including suppliers providing finance lease equipment and hardware and software such as renovation and office supplies.

Our Group believes that establishing sustainable supply chains and facilitating interaction and communication with suppliers can boost confidence in our Group among customers and other stakeholders. Therefore, our Group only sustains long-term cooperation relationships with suppliers which possess high credibility, stable reputation, high-quality products and services as well as sound records and act in compliance with laws.

We have formulated management systems for evaluation, selection and supervision of suppliers. In regard to the supplier evaluation, suppliers which provide better quality will be opted for within reachable scope in a bid to cut down unnecessary loss and reduce resource waste. Meanwhile, our Group also considers environmental factors, and selects suppliers which produce products with low pollution and low energy consumption. Following the selection of suppliers, our Group will oversee the performance of suppliers on an ongoing basis. If there are issues concerning the quality, environment and social responsibility, our Group will immediately terminate its cooperation with them.

4.5 Improving Service Quality

Our Group will provide customized finance leasing services based on the equipment required by business operation of customers. Furthermore, our Group provides value-added consultancy services for customers. Our Group has extensive experience and stable management team, which enables us to deliver reliable and efficient services to customers.

In 2018, we provide services to 186 different customers. Our Group places great emphasis on opinions and complaints from each customer. Besides, complaints and related matters from customers will be handled by Operation Management Department in a timely manner and will be reported to general manager and deputy general manager. We will continue to optimize complaint-handled mechanism, enhance service management standard and increase customers' satisfaction.

During the Reporting Period, we have not received any complaints from customers.

4.6 Protecting Consumer Rights and Interests

We strictly comply with the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法), the Group Law of the PRC (中華人民共和國集團法) and the Contract Law of the PRC (中華人民共和國合同法). To protect legitimate rights and interests of customers and safeguard the safety of customer information, we have formulated Records Management System (檔案管理制度) and Confidentiality System (保密制度), which set out procedures for handling customers and group materials by employees, and required them to strictly comply with the relevant procedures. For instance, for confidential documents, information and other items, we have set up a specialized record room for storage, prohibited copying and extraction without approval of general manager in order to maximize the protection of customer information.

4.7 Contributing to the Community

Since the incorporation of our Group, we are committed to making continuous contribution for building stable and sustainable society. During the Reporting Period, our Group proactively participated in charity activities. Apart from working, our Group encouraged employees to participate in blood donation activities in a bid to deliver love and care.

ESG INDICATOR INDEX

	General Disclosures and KPIs		Sections
A1			
	A1.1	The types of emissions and respective emissions data.	**3.2 Emission**
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**3.2 Emission**
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**Due to the nature of business, our Group is not aware of any significant hazardous solid waste produced.**
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**3.2 Emission**
	A1.5	Description of measures to mitigate emissions and results achieved.	**3.1 Green Operation**
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	**As disclosed in A1.3 and A1.4**

ESG INDICATOR INDEX

	General Disclosures and KPIs		Sections
A2			
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	**3.3 Use of Resources**
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	**3.3 Use of Resources**
	A2.3	Description of energy use efficiency initiatives and results achieved.	**A2.3 is not applicable to our Group**
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	**3.3 Use of Resources**
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	**A2.5 is not applicable to our Group**
A3			
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	**A3.1 is not applicable to our Group**
B1			
	B1.1	Total workforce by gender, employment type, age group and geographical region.	**4.1 Protecting Employee Rights and Interests**
	B1.2	Employee turnover rate by gender, age group and geographical region.	**4.1 Protecting Employee Rights and Interests**
B2			
	B2.1	Number and rate of work-related fatalities.	**4.2.1 Health And Safety**
	B2.2	Lost days due to work injury.	**4.2.1 Health And Safety**
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	**4.2.1 Health And Safety**

ESG INDICATOR INDEX			
	General Disclosures and KPIs		**Sections**
B3			
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	**4.3.1 Training**
	B3.2	The average training hours completed per employee by gender and employee category.	**4.3.1 Training**
B4			
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	**4.1 Protecting Employee Rights and Interests**
	B4.2	Description of steps taken to eliminate such practices when discovered.	**4.1 Protecting Employee Rights and Interests**
B5			
	B5.1	Number of suppliers by geographical region.	**4.4 Suppliers**
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	**4.4 Suppliers**
B6			
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**B6.1 is not applicable to our Group**
	B6.2	Number of products and service related complaints received and how they are dealt with.	**4.5 Improving Service Quality**
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	**B6.3 is not applicable to our Group**
	B6.4	Description of quality assurance process and recall procedures.	**B6.4 is not applicable to our Group**
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	**4.6 Protecting Consumer Rights and Interests**
B7			
	B7.1	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.	**2.5 Anti-financial Crime**
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	**2.5 Anti-financial Crime**
B8			
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	**4.7 Contributing to the community**
	B8.2	Resources contributed (e.g. money or time) to the focus area.	**4.7 Contributing to the community**

Independent Auditor's Report

To the shareholders of Byleasing Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Byleasing Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 72 to 133, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters (Continued)

Allowances for impairment losses of finance lease receivables	
Refer to note 14 to the consolidated financial statements and the accounting policies on page 83.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group has applied the Hong Kong Financial Reporting Standard 9: Financial Instruments ("HKFRS 9") since 1 January 2018 and developed a new impairment model for financial assets. The determination of allowances for impairment losses using the expected credit loss model ("ECL model") is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions. We identified the impairment of finance lease receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	Our audit procedures to assess allowances for impairment losses of finance lease receivables included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of finance lease receivables, the identification of the three stages of ECL model, and the measurement of provisions for impairment. • with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining allowances for impairment losses, and the appropriateness of the key parameters and assumptions in the expected credit loss model, which includes the identification of credit-impaired stage, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments.

Key audit matters (Continued)

Allowances for impairment losses of finance lease receivables (Continued)	
Refer to note 14 to the consolidated financial statements and the accounting policies on page 83.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model: • for key parameters derived from internal data relating to the finance leasing agreements, we selected samples and compared individual finance lease receivables information with the underlying agreements and other related documentation to assess the accuracy of compilation of the finance lease receivables list. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral and leased asset. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development.

Key audit matters (Continued)

Allowances for impairment losses of finance lease receivables (Continued)	
Refer to note 14 to the consolidated financial statements and the accounting policies on page 83.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• for selected samples of finance lease receivables that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit losses for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of finance lease receivables where the credit risk of the finance lease receivables has not, or has, increased significantly since initial recognition, respectively. • evaluating whether the disclosures on impairment of finance lease receivables meet the disclosure requirements of HKFRS 7 Financial instruments: Disclosures.

Key audit matters (Continued)

<table>
<tr><th colspan="2">Transition adjustments and disclosures in relation to the adoption of HKFRS 9</th></tr>
<tr><td colspan="2">Refer to note 1 to the consolidated financial statements and the accounting policies on page 79.</td></tr>
<tr><td>The Key Audit Matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has applied the HKFRS 9 since 1 January 2018.

HKFRS 9 have amended the previous classification and measurement framework of financial instruments and introduced a more complex expected credit loss model to assess impairment. The Group is required to retrospectively apply the classification and measurement (including impairment) requirements and recognise any difference between the original carrying amount and new carrying amount at the date of initial application (i.e. 1 January 2018) in the opening retained earnings.

We identified the transition adjustments and disclosures in relation to the adoption of HKFRS 9 as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatment and management judgement.</td><td>Our audit procedures to the transition adjustments in relation to the change in financial instruments standard included the following:

• understanding and assessing the key internal controls of the financial reporting process related to the adoption of HKFRS 9.

• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining allowances for impairment losses on transition and assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model.

• recalculating the new carrying amount of finance lease receivables and deferred tax assets and assessing the accuracy of the opening balance at the date of initial application (i.e. 1 January 2018).

• assessing whether the relevant disclosures in relation to the adoption of HKFRS 9 are in compliance with the HKFRS 7 Financial instruments: Disclosures.</td></tr>
</table>

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group’s financial reporting process.

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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Choi Ching Hin.

KPMG
Certified Public Accountants

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

20 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB	2017 (Note) RMB
Interest income		**75,520,592**	58,344,395
Advisory fee income		**3,446,388**	2,463,208
Revenue	3	**78,966,980**	60,807,603
Other net income	4	**1,440,770**	1,897,339
Interest expense	9	**(24,738,562)**	(18,687,530)
Operating expense		**(21,352,043)**	(16,046,698)
Impairment losses charged	5(c)	**(2,509,858)**	(562,086)
Profit before taxation	5	**31,807,287**	27,408,628
Income tax expense	6	**(8,626,306)**	(6,719,292)
Profit for the year		**23,180,981**	20,689,336
Attributable to:			
Equity shareholders of the Company		**23,180,981**	20,689,336
Profit for the year		**23,180,981**	20,689,336
Earnings per share	10		
Basic and diluted (RMB cents)		**9.94**	10.22

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

The notes on page 78 to 133 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB	2017 *(Note)* RMB
Profit for the year		**23,180,981**	20,689,336
Other comprehensive income for the year (after tax)			
Item that may be classified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China	*22(b)(i)*	**1,673,677**	(13,015)
Total comprehensive income for the year		**24,854,658**	20,676,321
Attributable to:			
Equity shareholders of the Company		**24,854,658**	20,676,321
Total comprehensive income for the year		**24,854,658**	20,676,321

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

The notes on page 78 to 133 form part of these financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB	2017 (Note) RMB
Non-current assets			
Equipment	11	**586,089**	210,042
Intangible assets	12	**267,009**	278,316
Finance lease receivables	14	**236,237,470**	258,198,612
Trade and other receivables	15	**325,416**	281,096
Deferred tax assets	20(b)	**5,922,957**	5,544,619
		243,338,941	264,512,685
Current assets			
Loans and receivables		**–**	18,888,661
Finance lease receivables	14	**176,556,656**	342,286,604
Trade and other receivables	15	**799,180**	6,332,590
Pledged and restricted deposits	16	**–**	14,578,395
Cash and cash equivalents	17	**98,602,193**	11,183,137
		275,958,029	393,269,387
Current liabilities			
Borrowings	18	**165,000,000**	190,000,000
Income tax payable	20(a)	**4,546,805**	6,141,541
Trade and other liabilities	19	**29,277,456**	81,190,081
		198,824,261	277,331,622
Net current assets		**77,133,768**	115,937,765
Total assets less current liabilities		**320,472,709**	380,450,450

Consolidated Statement of Financial Position

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB	2017 (Note) RMB
Non-current liabilities			
Borrowings	18	**–**	150,000,000
Trade and other liabilities	19	**49,627,706**	47,978,890
Deferred tax liabilities	20(b)	**540,000**	–
		50,167,706	197,978,890
Net assets		**270,305,003**	182,471,560
Capital and reserves			
Share capital	21(c)	**2,301,857**	169
Share premium		**238,097,760**	176,074,003
Reserves		**29,905,386**	6,397,388
Total equity		**270,305,003**	182,471,560

Approved and authorized for issue by the board of directors on 20 March 2019.

Huang Dake
Director

Chen Xinwei
Director

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

The notes on page 78 to 133 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	Share capital *(Note 21(c))* RMB	Share premium *(Note 21(d))* RMB	Capital reserve *(Note 21(e)(i))* RMB	Surplus reserve *(Note 21(e)(ii))* RMB	Exchange reserve *(Note 21(e)(iii))* RMB	Retained profits RMB	Total equity RMB
Balance at 1 January 2017		132,000,000	–	112,758	4,120,656	–	24,240,587	160,474,001
Changes in equity for 2017:								
Profit for the year		–	–	–	–	–	20,689,336	20,689,336
Other comprehensive income		–	–	–	–	(13,015)	–	(13,015)
Total comprehensive income		–	–	–	–	(13,015)	20,689,336	20,676,321
Appropriation to statutory reserve		–	–	–	2,151,614	–	(2,151,614)	–
Transfer to share capital		36,000,000	–	–	–	–	(36,000,000)	–
Arising from Reorganisation	*21(c)(ii)*	(167,999,831)	176,074,003	(6,752,934)	–	–	–	1,321,238
Balance at 31 December 2017 (Note)		169	176,074,003	(6,640,176)	6,272,270	(13,015)	6,778,309	182,471,560
Impact on initial application of HKFRS 9		–	–	–	–	–	(1,346,660)	(1,346,660)
Adjusted balance at 1 January 2018		169	176,074,003	(6,640,176)	6,272,270	(13,015)	5,431,649	181,124,900
Changes in equity for 2018:								
Profit for the year		–	–	–	–	–	23,180,981	23,180,981
Other comprehensive income		–	–	–	–	1,673,677	–	1,673,677
Total comprehensive income		–	–	–	–	1,673,677	23,180,981	24,854,658
Appropriation to statutory reserve		–	–	–	202,123	–	(202,123)	–
Capitalisation issue	*21(c)(iii)*	1,726,223	(1,726,223)	–	–	–	–	–
Issuance of shares through the Listing	*21(c)(iv)*	575,465	63,749,980	–	–	–	–	64,325,445
Balance at 31 December 2018		2,301,857	238,097,760	(6,640,176)	6,474,393	1,660,662	28,410,507	270,305,003

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

The notes on page 78 to 133 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB	2017 (Note) RMB
Operating activities			
Cash generated/(used in) from operations	*17(b)*	**219,534,009**	(205,438,356)
PRC income taxes paid	*20(a)*	**(9,610,493)**	(5,592,331)
Net cash generated from/(used in) operating activities		**209,923,516**	(211,030,687)
Investing activities			
Interest received from deposits with financial institutions	*4*	**266,292**	989,530
Net proceeds from wealth management products		**810,654**	207,314
Proceeds from disposal of equipment		**–**	173,507
Payment for purchase of equipment		**(448,973)**	(36,287)
Payment for purchase of intangible assets		**(32,328)**	–
Advances to a related party		**–**	(55,000,000)
Repayment from a related party		**527,000**	60,000,000
Net cash generated from investing activities		**1,122,645**	6,334,064
Financing activities			
Gross proceeds from initial public offering		**68,763,621**	–
Proceeds from borrowings	*17(c)*	**275,000,000**	321,000,000
Repayment of borrowings	*17(c)*	**(450,000,000)**	(261,000,000)
Payments for listing expenses		**(2,676,275)**	(1,761,901)
Interest paid		**(16,997,677)**	(14,128,691)
Deemed contribution arising from Reorganisation		**609,549**	1,226,496
Net cash (used in)/generated from financing activities		**(125,300,782)**	45,335,904
Net increase/(decrease) in cash and cash equivalents		**85,745,379**	(159,360,719)
Cash and cash equivalents at 1 January		**11,183,137**	170,543,856
Effect of foreign exchange rate changes		**1,673,677**	–
Cash and cash equivalents at 31 December	*17(a)*	**98,602,193**	11,183,137

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

The notes on page 78 to 133 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 5 June 2017.

To rationalise the corporate structure in preparation of the listing of the Company's shares on GEM of the Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange"), the Company and its subsidiaries (together referred to as the "Group") underwent a reorganisation (the "Reorganisation"). Upon completion of the Reorganisation on 16 November 2017, the Company became the Group's holding company.

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

As the Company had no substantive operations prior to the Reorganisation and was formed solely for the purpose of the Listing, and therefore the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition. The financial statements have been prepared by applying the above-mentioned principle for the periods presented.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through profit or loss (FVPL) are stated at fair value as explained in note 1(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in account policies

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

(i) HKFRS 9, *Financial instruments*

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

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

To consistently apply accounting policies during the years ended 31 December 2016 and 2017 (the "Relevant Periods"), the Group early adopted HKFRS 15 in the preparation of historical financial information set out in Appendix I of the Company's Prospectus for the Listing. The Directors of the Company do not consider the early adoption of HKFRS 15 had significant impact on the financial information and performance during the Relevant Periods compared to the requirement of HKAS 18.

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

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

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

1 Significant accounting policies (Continued)

(c) Changes in account policies (Continued)

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

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policies notes in notes 1(e), (i) and (j).

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

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

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

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

– finance lease receivables;

For further details on the Group's accounting policies for accounting for credit losses, see note 1(e)(vi).

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(c) Changes in account policies (Continued)

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

b. Credit losses (Continued)

The following table reconciles the closing allowance for impairment losses determined in accordance with HKAS 39 as at 31 December 2017 with the opening allowance for impairment losses determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB
Allowance for impairment losses at 31 December 2017 under HKAS 39	19,961,937
Additional credit loss recognised at 1 January 2018 on:	
– Finance lease receivables	1,795,547
Allowance for impairment losses at 1 January 2018 under HKFRS 9	21,757,484

c. Transition

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity/shareholders holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(k) or (l) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(e)(vi)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant accounting policies (Continued)

(e) Financial Instruments

(i) Recognition and initial measurement

The Group initially recognises financial asset or financial liability on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

(A) Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (“SPPI”).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

– the asset is held within a business model whose objective is 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 are SPPI.

On initial recognition of an financial instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(ii) Classification (Continued)

(B) Financial assets – Policy applicable prior to 1 January 2018

A financial asset or financial liabilities is recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value, plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and financial liabilities are categorized as follows:

– Loans and receivables

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than

(a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;

(b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

(c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.

The Group's loans and receivables mainly comprise of finance lease receivables, entrusted loans, factoring receivables, and trade and other receivables.

– Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading).

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deductions for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(iii) Derecognition

a. Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of financial instruments designated as at FVOCI is not recognised in profit or loss on derecognition of such fianancial instruments. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

b. Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets

a. Credit losses from financial instruments and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

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

– finance lease receivables.

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

Measurement of ECLs

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

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

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

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

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

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets (Continued)

a. Credit losses from financial instruments and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

Allowance for impairment losses for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For finance lease receivables and loans and receivables, the Group recognises a allowance for impairment losses equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowance for impairment losses is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets (Continued)

a. Credit losses from financial instruments and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(p)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment losses) of the financial asset.

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets (Continued)

a. Credit losses from financial instruments and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

Trade and other receivables, loans and receivables, finance lease receivables (together "receivables")

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

  Receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

  Cash flows relating to short-term receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

  The calculation of the present value of the estimated future cash flows of a collateralized receivables reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets (Continued)

a. Credit losses from financial instruments and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

– Collective assessment

Receivables which are assessed collectively for impairment include individually assessed receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of receivables which are not considered individually significant and not assessed individually. Receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a receivable has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the receivable is written off against its provisions for impairment losses upon necessary approval.

b. Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- equipment;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 Significant accounting policies (Continued)

(e) Financial Instruments (Continued)

(vi) Credit losses and impairment of assets (Continued)

b. Impairment of other non-current assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

c. Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

1 Significant accounting policies (Continued)

(f) Equipment

Items of equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(e)(vi)).

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Motor vehicles	4 years
Office equipment	3 - 5 years

Where parts of an item of equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(e)(vi)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

	Estimate useful life
Software	10 years

Both the period and method of amortization are reviewed annually and consistent with the amortisation policy of intangible assets allowed under the relevant tax rules.

(h) Leases

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

(i) The Group as a lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred are charged to profit or loss for the period. Contingent rentals under operating lease are recognised as expenses in the periods in which they are incurred.

1 Significant accounting policies (Continued)

(h) Leases (Continued)

(ii) The Group as a lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

(iii) The Group as a lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivables, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as interest income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

(i) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(e)(vi)).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(e)(vi).

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant accounting policies (Continued)

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to the statement of profit or loss on an accrual basis.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 Significant accounting policies (Continued)

(n) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

1 Significant accounting policies (Continued)

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, 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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. 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. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(e)(vi)).

(ii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 Significant accounting policies (Continued)

(q) Translation of foreign currencies (Continued)

The result of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the year ended 31 December 2018, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing finance leasing service which is the basis to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

2 Accounting judgement and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Applicable to 2018 only:

– Note 1(e)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

– Note 1(e)(vi): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(Expressed in Renminbi unless otherwise indicated)

2 Accounting judgement and estimates (Continued)

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is included in the following notes.

(i) Applicable to 2018 only:

– Note 1(e)(vi): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

(ii) Applicable to 2018 and 2017:

– Note 1(e)(vi): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

3 Revenue segment reporting

The principal activities of the Group are providing equipment based financing solutions, factoring services and value-added advisory services to customers in the PRC.

No segment information is presented as the Group is principally engaged in a single line of business. Revenue represents interest income and advisory fee net of value added taxes ("VAT") and other charges.

The amount of each significant category of revenue is as follows:

	Note	**2018** **RMB**	2017 RMB
Interest income arising from			
Finance leases	*(i)*	**75,143,114**	55,714,052
Entrusted loans		**235,010**	2,006,509
Factoring		**142,468**	623,834
		75,520,592	58,344,395
Advisory fee income	*(ii)*	**3,446,388**	2,463,208
		78,966,980	60,807,603

(Expressed in Renminbi unless otherwise indicated)

3 Revenue segment reporting (Continued)

(i) The Group has three lessees and one lessee for the year ended 2018 and 2017 respectively, with whom transactions have exceeded 10% of the Group's aggregate revenues. Such revenue from the lessees is set out below:

	2018 RMB	2017 RMB
Lessee A	**15,519,632**	15,803,036
Lessee B	**8,544,903**	556,180
Lessee C	**8,377,371**	3,828,270

(ii) Advisory fee income arises from contracts with customers within the scope of HKFRS 15, and is recognised at point in time.

4 Other net income

	Note	**2018 RMB**	2017 RMB
Investment income from wealth management products		**810,654**	207,314
Interest income from deposits with financial institutions		**266,292**	989,530
Government grants	*(i)*	**216,636**	232,970
Interest income from loan to a related party	*25(c)*	**–**	430,000
Foreign exchange gains/(losses)		**110,688**	(15,026)
Others		**36,500**	52,551
		1,440,770	1,897,339

(i) The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received.

(Expressed in Renminbi unless otherwise indicated)

5 Profit before taxation

Profit before taxation is arrived at after charging:

	2018 RMB	2017 RMB
(a) Staff cost		
Contributions to defined contribution retirement plan	**208,980**	164,188
Salaries, wages and other benefits	**5,530,002**	5,795,958
Subtotal	**5,738,982**	5,960,146

	Note	2018 RMB	2017 RMB
(b) Other items			
Depreciation		**72,926**	138,211
Amortisation		**43,635**	41,480
Auditor's remuneration		**966,727**	108,958
Listing expenses	*(i)*	**9,595,977**	5,898,285
Legal expenses		**381,346**	106,852
Operating lease charges in respect of properties		**970,320**	1,145,880

(i) Included in the listing expenses, there are remuneration of the reporting accountants in connection with the IPO services amounting to RMB976,415 (2017: RMB1,273,585), which are recognised as expenses in the year which they are incurred.

	Note	2018 RMB	2017 RMB
(c) Impairment losses charged			
Finance lease receivables	*14(b)*	**2,992,879**	76,662
Trade and other receivables	*15*	**10,207**	59,214
Loans and receivables		**(493,228)**	426,210
		2,509,858	562,086

(Expressed in Renminbi unless otherwise indicated)

6 Income tax in the consolidated statement of profit or loss

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

	Note	**2018 RMB**	2017 RMB
Current			
– PRC Enterprise Income Tax ("EIT")			
Provision for the year		**8,281,864**	6,922,498
– Over-provision in prior years		**(266,107)**	–
Deferred income tax			
– Origination/(reversal) of temporary differences	*20(b)*	**610,549**	(203,206)
		8,626,306	6,719,292

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

	Note	**2018 RMB**	2017 RMB
Profit before taxation		**31,807,287**	27,408,628
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		**8,869,878**	6,943,546
Tax effect of non-deductible expenses	*(i)*	**22,535**	6,231
Over-provision in prior years		**(266,107)**	–
Tax effect of PRC preferential tax treatment	*(iv)*	**–**	(230,485)
Income tax expense for the year		**8,626,306**	6,719,292

(i) Non-deductible expenses consist of entertainment and welfare expenses, which exceed the tax deduction limits in accordance with PRC tax regulations.

(ii) Pursuant to the rules and regulation of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI, respectively.

(iii) No provision for Hong Kong Profits Tax has been made for the Company and Byleasing Capital Limited (the "Byleasing Capital") as the Company and Byleasing Capital had not derived any income subject to Hong Kong Profits Tax during the year (2017: nil).

(iv) During the year ended 2017, the PRC EIT rate of one of the Group's subsidiaries Doilungdêqên Baiyun Consulting Co., Ltd. ("Baiyun Consulting") is 15% according to Measures for the Implementation of Preferential Enterprise Income Tax Policies in Tibet Autonomous Region《西藏自治區企業所得稅政策實施辦法》(Zangzhengfa [2014] No. 51, 藏政發[2014]51號). The local portion (40%) of the EIT was exempted, and therefore, the effective EIT rate for Baiyun Consulting during the year ended 2017 is 9%. Baiyun Consulting was disposed on 16 November 2017.

(v) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10%, (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax.

(Expressed in Renminbi unless otherwise indicated)

7 Directors' emoluments

Directors' remuneration is as follows:

	Year ended 31 December 2018				
	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Retirement scheme contributions RMB	Total RMB
Executive Directors					
Zhou Shiyuan (周士淵)	–	–	–	–	–
Chen Xinwei (陳欣慰)	–	–	–	–	–
Huang Dake (黃大柯)	–	558,001	84,000	19,175	661,176
Non–executive Director					
Ke Jinding (柯金錫)	–	–	–	–	–
Independent non–executive Directors					
Tu Liandong (涂連東)*	–	32,069	–	–	32,069
Xie Mianbi(謝綿陛)*	–	32,069	–	–	32,069
Chen Chaolin(陳朝琳)*	–	32,069	–	–	32,069
Total	–	654,208	84,000	19,175	757,383

(Expressed in Renminbi unless otherwise indicated)

7 Directors' emoluments (Continued)

	Year ended 31 December 2017				
	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Retirement scheme contributions RMB	Total RMB
Executive Directors					
Zhou Shiyuan (周士淵)	–	–	–	–	–
Chen Xinwei (陳欣慰)	–	–	–	–	–
Huang Dake (黃大柯)	–	429,010	120,000	16,760	565,770
Non–executive Director					
Ke Jinding (柯金錩)	–	–	–	–	–
Total	–	429,010	120,000	16,760	565,770

During the year ended 31 December 2018, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

* Appointed as director in June 2018

8 Individual with highest emoluments

Of the five individuals with the highest emoluments, there is one (2017: one) director of the Group whose emoluments are disclosed in note 7.

The aggregate of the emoluments in respect of the other individuals for the years ended 31 December 2017 and 2018 are as follows:

	2018 RMB	2017 RMB
Salaries, allowances and benefits in kind	**1,242,672**	1,028,911
Discretionary bonuses	**144,700**	248,583
Retirement scheme contributions	**65,680**	57,898
Total	**1,453,052**	1,335,392

(Expressed in Renminbi unless otherwise indicated)

8 Individual with highest emoluments (Continued)

The emoluments of the four (2017: four) individuals with the highest emoluments are all within the following band:

	2018 RMB	2017 RMB
Nil – HKD1,000,000	**4**	4

9 Interest expense

	2018 RMB	2017 RMB
Borrowings	**18,898,761**	15,190,467
Imputed interest expense on interest-free guaranteed deposits from lessees	**5,839,801**	3,497,063
	24,738,562	18,687,530

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB23,180,981 (2017: RMB20,689,336) and the weighted average of 233,282,967 ordinary shares (2017: 202,500,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	**20,000**	–
Effect of shares issued	**–**	20,000
Effect of Capitalisation Issue	**202,480,000**	202,480,000
Effect of issuance of shares through the Listing	**30,782,967**	–
Weighted average number of ordinary shares at 31 December	**233,282,967**	202,500,000

The 202,500,000 shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue as defined in note 21(c)(iii) had been effective on 1 January 2017.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 2018 (2017: nil), and hence the diluted earnings per share are the same as basic earnings per share.

(Expressed in Renminbi unless otherwise indicated)

11 Equipment

	Motor vehicles RMB	**Office equipment** RMB	**Total** RMB
Cost			
As at 1 January 2017	780,369	862,101	1,642,470
Additions	–	36,287	36,287
Disposals	(282,311)	(10,320)	(292,631)
As at 31 December 2017/1 January 2018	498,058	888,068	1,386,126
Additions	406,801	42,172	448,973
As at 31 December 2018	904,859	930,240	1,835,099
Accumulated depreciation			
As at 1 January 2017	477,048	693,552	1,170,600
Charge for the year	52,306	85,905	138,211
Written back on disposals	(122,923)	(9,804)	(132,727)
As at 31 December 2017/1 January 2018	406,431	769,653	1,176,084
Charge for the year	43,017	29,909	72,926
As at 31 December 2018	449,448	799,562	1,249,010
Net carrying amount			
As at 31 December 2017	91,627	118,415	210,042
As at 31 December 2018	455,411	130,678	586,089

(Expressed in Renminbi unless otherwise indicated)

12 Intangible assets

	2018 RMB	2017 RMB
Cost		
At the beginning of the year	**466,564**	466,564
Additions	**32,328**	–
At the end of the year	**498,892**	466,564
Accumulated amortisation		
At the beginning of the year	**188,248**	146,768
Charge for the year	**43,635**	41,480
At the end of the year	**231,883**	188,248
Carrying amount		
At the beginning of the year	**278,316**	319,796
At the end of the year	**267,009**	278,316

Intangible assets mainly represent the enterprise system software.

(Expressed in Renminbi unless otherwise indicated)

13 Interests in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital RMB	Proportion of ownership interest: Held by the Company RMB	Proportion of ownership interest: Held by the subsidiary RMB	Principal activities
Byleasing Capital	BVI 15 June 2017	US$1	100%	–	Investment holding
Hong Kong Byleasing Holding Co., Limited ("Hong Kong Byleasing")	Hong Kong 8 January 2015	RMB 100,000,000	–	100%	Investment holding
Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司) ("Xiamen Byleasing")	People's Republic of China 9 March 2010	RMB 237,000,000	–	100%	Finance leasing

* The English translation of these entities' names is for reference only. The official names of these entities are in Chinese.

14 Finance lease receivables

	2018 RMB	2017 RMB
Minimum finance lease receivables		
Not later than one year	**249,389,267**	427,380,846
Later than one year and not later than five years	**268,103,785**	311,071,228
Gross amount of finance lease receivables	**517,493,052**	738,452,074
Less: Unearned finance income	**(80,160,014)**	(118,592,804)
Net amount of finance lease receivables	**437,333,038**	619,859,270
Less: Allowances for impairment losses	**(24,538,912)**	(19,374,054)
Carrying amount of finance lease receivables	**412,794,126**	600,485,216
Present value of minimum finance lease receivables		
Not later than one year	**196,368,337**	358,467,635
Later than one year and not later than five years	**240,964,701**	261,391,635
Total	**437,333,038**	619,859,270

(Expressed in Renminbi unless otherwise indicated)

14 Finance lease receivables (Continued)

Analysis for reporting purpose as:

	2018 RMB	2017 RMB
Non-current assets	**236,237,470**	258,198,612
Current assets	**176,556,656**	342,286,604
	412,794,126	600,485,216

No finance lease receivables was pledged as collaterals for the Group's bank borrowings (see note 18) as at 31 December 2018 (2017: RMB198,074,743).

Finance lease receivables are mainly secured by leased assets which are used in infrastructure, manufacturing, construction and other industries, lessees' deposits and leased assets repurchase arrangement where applicable.

Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential properties, car parks etc. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB9,673,072 was arranged through an entrusted loan with properties as the collateral as at 31 December 2018 (2017: RMB24,411,601).

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2018, the lessees' deposits of RMB51,003,119 (2017: RMB50,364,770) was pledged for related finance lease receivables (see note 19).

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

(Expressed in Renminbi unless otherwise indicated)

14 Finance lease receivables (Continued)

	2018 RMB
Overdue and credit-impaired	**67,620,384**
Overdue but not credit-impaired	
– Overdue within 30 days (inclusive)	**2,889,223**
– Overdue 30 to 90 days (inclusive)	**–**
– Overdue above 90 days	**–**
Neither overdue nor credit-impaired	**366,823,431**
Less: Allowances for impairment losses	**(24,538,912)**
At the end of the year	**412,794,126**

	2017 RMB
Overdue and impaired	14,637,450
Overdue but not impaired	
– Overdue within 30 days (inclusive)	1,241,356
– Overdue 30 to 90 days (inclusive)	2,965,930
– Overdue above 90 days	272,705
Neither overdue nor impaired	600,741,829
Less: Allowances for impairment losses	(19,374,054)
At the end of the year	600,485,216

Finance lease receivables overdue but not impaired related to a number of lessees failing to pay the instalments, but the Group could collect the remaining balance from the guaranteed deposits from lessees, the suppliers under the leased assets repurchase arrangements or from the disposal of leased assets.

(Expressed in Renminbi unless otherwise indicated)

14 Finance lease receivables (Continued)

(a) Finance lease receivables and allowances for impairment losses:

	As at 31 December 2018			
	12-month ECL RMB	**Lifetime ECL not credit-impaired RMB**	**Lifetime ECL credit-impaired RMB**	**Total RMB**
Net amount of finance lease receivables	**366,360,271**	**3,352,383**	**67,620,384**	**437,333,038**
Less: Allowances for impairment losses	**(7,387,444)**	**(282,209)**	**(16,869,259)**	**(24,538,912)**
Carrying amount of finance lease receivables	**358,972,827**	**3,070,174**	**50,751,125**	**412,794,126**

	As at 31 December 2017		
	Finance lease receivables for which allowances are collectively assessed RMB	Finance lease receivables for which allowances are individually assessed RMB	Total RMB
Net amount of finance lease receivables	605,221,820	14,637,450	619,859,270
Less: Allowances for impairment losses	(7,393,072)	(11,980,982)	(19,374,054)
Carrying amount of finance lease receivables	597,828,748	2,656,468	600,485,216

(Expressed in Renminbi unless otherwise indicated)

14 Finance lease receivables (Continued)

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

	2018			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	**8,841,791**	**224,471**	**12,103,339**	**21,169,601**
Transfer to lifetime ECL not credit-impaired	**(210,738)**	**210,738**	**–**	**–**
Transfer to lifetime ECL credit-impaired	**(729,325)**	**–**	**729,325**	**–**
Net remeasurement of loss allowance	**(4,183,968)**	**(153,000)**	**3,660,163**	**(676,805)**
New financial assets originated	**3,669,684**	**–**	**–**	**3,669,684**
Recoveries of amounts previously written off	**–**	**–**	**376,432**	**376,432**
Balance at 31 December	**7,387,444**	**282,209**	**16,869,259**	**24,538,912**

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

(Expressed in Renminbi unless otherwise indicated)

15 Trade and other receivables

	Note	2018 RMB	2017 RMB
Non-current assets			
Deductible value-added tax		**–**	281,096
Other receivables		**135,851**	–
Deposits for property	*25(d)*	**189,565**	–
		325,416	281,096
Current assets			
Other receivables		**225,765**	235,175
Less: Allowances for impairment losses	*(i)*	**(104,862)**	(94,655)
		120,903	140,520
Notes receivable		**–**	1,200,000
Prepayment for leased assets		**488,597**	1,220,223
Deductible value-added tax		**–**	386,626
Interest receivable from a related party	*25(d)*	**–**	527,000
Amount due from shareholders		**–**	601,019
Prepaid expenses		**189,680**	101,542
Prepaid listing expenses		**–**	1,966,095
Deposits for property	*25(d)*	**–**	189,565
		799,180	6,332,590
Total		**1,124,596**	6,613,686

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is RMB325,416 (2017: RMB281,096).

(Expressed in Renminbi unless otherwise indicated)

15 Trade and other receivables (Continued)

(i) Movements of allowances on other receivables

	2018 RMB	2017 RMB
At 1 January	**94,655**	35,441
Charged for the year	**10,207**	59,214
At 31 December	**104,862**	94,655

16 Pledged and restricted deposits

	2018 RMB	2017 RMB
Pledged and restricted deposits	**–**	14,578,395

The bank deposits was pledged as collateral for the Group's outstanding notes payable as at 31 December 2017 (see note 19).

17 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2018 RMB	2017 RMB
Deposits with banks	**98,602,193**	11,183,137

The Group's main operation in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(Expressed in Renminbi unless otherwise indicated)

17 Cash and cash equivalents (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2018** **RMB**	2017 *(Note)* RMB
Profit before taxation		**31,807,287**	27,408,628
Adjustments for:			
Investment income	*4*	**(810,654)**	(207,314)
Interest income from deposits with financial institutions	*4*	**(266,292)**	(989,530)
Interest income from loan to a related party	*4*	**–**	(430,000)
Interest expense	*9*	**18,898,761**	15,190,467
Impairment losses charged	*5(c)*	**2,509,858**	562,086
Depreciation	*5(b)*	**72,926**	138,211
Amortisation	*5(b)*	**43,635**	41,480
Gains on disposal of equipment		**–**	(13,603)
Operating profit before changes in working capital		**52,255,521**	41,700,425
Changes in working capital:			
Decrease/(Increase) in pledged and restricted deposits		**14,578,395**	(11,902,395)
Decrease/(Increase) in finance lease receivables		**182,902,664**	(172,628,224)
Decrease/(Increase) in loans and receivables		**19,381,889**	(14,914,000)
Decrease in trade and other receivables		**2,376,239**	1,535,422
Decrease in other guaranteed deposits		**–**	(90,000,000)
(Decrease)/Increase in trade and other liabilities		**(51,960,699)**	40,770,416
Cash generated/(used in) from operations		**219,534,009**	(205,438,356)

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings **RMB**
As at 1 January 2018	340,000,000
Changes from financing cash flow:	
Proceeds from borrowings	275,000,000
Repayment of borrowings	(450,000,000)
As at 31 December 2018	165,000,000

(Expressed in Renminbi unless otherwise indicated)

18 Borrowings

	Note	2018 RMB	2017 RMB
Bank loans			
– secured and guaranteed	*(i)*	–	150,000,000
– guaranteed	*(ii)*	65,000,000	–
– unsecured		100,000,000	100,000,000
Other borrowings			
– unsecured		–	90,000,000
		165,000,000	340,000,000

Analysis for reporting purpose as:

	2018 RMB	2017 RMB
Non-current liabilities	–	150,000,000
Current liabilities	165,000,000	190,000,000
	165,000,000	340,000,000

(i) As at 31 December 2017, loans amounting to RMB150,000,000 was granted under a factoring agreement with a domestic commercial bank and meanwhile pledged by finance lease receivables (see note 14). These loans were additionally secured by a commercial property provided by a third party. The guarantee fee charged by the third party was 1% per annum.

(ii) As at 31 December 2018, loans amounting to RMB65,000,000 (2017: nil) was guaranteed by Septwolves Group Holding.

As at 31 December 2017 and 2018, the borrowings were repayable as follows:

	2018 RMB	2017 RMB
Within one year	165,000,000	190,000,000
After 1 year but within 2 years	–	150,000,000
	165,000,000	340,000,000

(Expressed in Renminbi unless otherwise indicated)

18 Borrowings (Continued)

The ranges of effect interest rates on the borrowings are as follows:

	2018 RMB	2017 RMB
Range of interest rates	**4.57% – 6.09%**	4.35% – 6.00%

19 Trade and other liabilities

	Note	2018 RMB	2017 RMB
Non-current liabilities			
Guaranteed deposits from lessees	*(i)*	**44,529,335**	37,931,138
VAT payable		**5,098,371**	10,047,752
		49,627,706	47,978,890
Current liabilities			
Guaranteed deposits from lessees	*(i)*	**6,473,784**	12,433,632
Guaranteed deposits from loans and receivables		**–**	1,991,662
VAT payable and other tax payable		**14,720,830**	13,104,825
Accounts payable	*(ii)*	**1,294,743**	359,532
Notes payable		**–**	48,595,080
Accrued staff costs		**1,666,445**	1,870,109
Receipts in advance		**133,685**	135,203
Accrued liabilities		**827,123**	176,500
Interest payable		**1,901,084**	1,061,776
Other payables		**2,259,762**	1,461,762
		29,277,456	81,190,081
Total		**78,905,162**	129,168,971

(i) Guaranteed deposits from lessees for reporting purpose:

	2018 RMB	2017 RMB
Current portion	**6,473,784**	12,433,632
Non-current portion	**44,529,335**	37,931,138
Total	**51,003,119**	50,364,770

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

(Expressed in Renminbi unless otherwise indicated)

20 Income tax in the consolidated statement of financial position

(a) Income tax payable

	Note	**2018 RMB**	2017 RMB
At the beginning of the year		**6,141,541**	4,811,374
Provision for income tax for the year	*6(a)*	**8,015,757**	6,922,498
Income tax paid		**(9,610,493)**	(5,592,331)
At the end of the year		**4,546,805**	6,141,541

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Credit loss allowance** (Note) RMB	**Deferred Income** RMB	**Accrued Expenses** RMB	**Undistributed profits of PRC subsidiaries** RMB	**Total** RMB
At 1 January 2017	5,341,413	–	–	–	5,341,413
Credited to profit or loss	140,521	–	62,685	–	203,206
At 31 December 2017	5,481,934	–	62,685	–	5,544,619
Impact on initial application of HKFRS 9	448,887	–	–	–	448,887
At 1 January 2018	**5,930,821**	**–**	**62,685**	**–**	**5,993,506**
Credited/(charged) to profit or loss	**627,464**	**(842,109)**	**144,096**	**(540,000)**	**(610,549)**
At 31 December 2018	**6,558,285**	**(842,109)**	**206,781**	**(540,000)**	**5,382,957**

Note: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see note 1(c)).

(Expressed in Renminbi unless otherwise indicated)

20 Income tax in the consolidated statement of financial position (Continued)

(b) (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2018 RMB	2017 RMB
Net deferred tax assets recognised in the consolidated statement of financial position	**5,922,957**	5,544,619
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(540,000)**	–
	5,382,957	5,544,619

(c) Deferred tax liabilities not recognised

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB25,567,561 (2017: RMB7,060,224). Deferred tax liabilities of RMB2,556,756 (2017: RMB706,022) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(Expressed in Renminbi unless otherwise indicated)

21 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Note	Share capital RMB	Share premium RMB	Exchange reserve RMB	Accumulated losses RMB	Total equity RMB
At 1 January 2017		–	–	–	–	–
Changes in equity for 2017						
Total comprehensive income for the year		–	–	(2,204,890)	(208)	(2,205,098)
Arising from Reorganisation	*(c)(ii)*	169	176,074,003	–	–	176,074,172
At 31 December 2017		169	176,074,003	(2,204,890)	(208)	173,869,074
Impact on initial application of HKFRS 9		–	–	–	–	–
Adjusted balance at 1 January 2018		169	176,074,003	(2,204,890)	(208)	173,869,074
Changes in equity for 2018						
Capitalisation Issue		1,726,223	(1,726,223)	–	–	–
Issuance of shares through the Listing		575,465	63,749,980	–	–	64,325,445
Total comprehensive income for the year		–	–	10,115,679	(1,363,933)	8,751,746
At 31 December 2018		2,301,857	238,097,760	7,910,789	(1,364,141)	246,946,265

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the year:

	2018 RMB	2017 RMB
Final dividend proposed after the end of the reporting period of HKD2.1 cents per ordinary share (2017: nil)	**4,968,054**	–
	4,968,054	–

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

21 Capital, reserves and dividends (Continued)

(c) Share capital

(i) Issued share capital

	Note	2018 Number of shares	2018 RMB	2017 Number of shares	2017 RMB
Ordinary shares, issued and fully paid:					
At 1 January		**20,000**	**169**	–	–
Arising from Reorganisation	*(ii)*	**–**	**–**	20,000	169
Capitalisation Issue	*(iii)*	**202,480,000**	**1,726,223**	–	–
Issuance of shares through the Listing	*(iv)*	**67,500,000**	**575,465**	–	–
At 31 December		**270,000,000**	**2,301,857**	20,000	169

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) As set out in note 1, the Company was incorporated in the Cayman Islands on 5 June 2017, with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each. As at 31 December 2017, a total of 20,000 shares were allotted and issued with a total consideration of HKD208,000,100. As at 31 December 2017, the total share capital of the Group was HKD200 (equivalent to RMB169).

(iii) Pursuant to the written resolutions of the Company's shareholders passed on 20 June 2018, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the Listing, the directors had authorised to allot and issue a total of 202,480,000 shares, by way of capitalising of the sum of HKD2,024,800 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders whose names appeared on the register of members of the Company by the close of business on 20 June 2018, in the proportion to their then existing shareholdings in the Company.

(iv) On 18 July 2018, the shares of the Company were listed on GEM of the Stock Exchange, with a total number of 67,500,000 shares issued to the public at par value of HK$0.01 each. The net proceeds after deducting the listing expenses were approximately RMB64,325,445, out of which RMB575,465 and RMB63,749,980 were recorded in share capital and share premium respectively.

21 Capital, reserves and dividends (Continued)

(d) Share premium

The share premium represents the difference between the par value of the shares of the Company and consideration for the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributed to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(e) Reserves

(i) Capital reserve

The capital reserve mainly represented the difference between the share capital and share premium of the Company and the paid-in capital of Xiamen Byleasing, net of the increase of RMB1,321,238 in the Group's total equity arising from Reorganisation.

(ii) Surplus reserve

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(c).

(f) Distributability of reserves

At 31 December 2018, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB236,733,619 (2017: RMB176,073,795).

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the year ended 31 December 2018.

(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values of financial instruments

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from finance leasing business.

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognised and creditworthy third parties. In accordance with the policies of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors and controls the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets.

Other financial assets of the Group include cash and cash equivalents, accounts receivable and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

Maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	2018 **RMB**	2017 RMB
Financial assets		
Cash and cash equivalents	**98,602,193**	11,183,137
Pledged deposits	**–**	14,578,395
Loans and receivables	**–**	18,888,661
Finance lease receivables	**412,794,126**	600,485,216
Trade and other receivables	**551,181**	2,151,740
	511,947,500	647,287,149

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2017 and 2018, without taking account of any collateral held or other credit enhancements attached.

22 Financial risk management and fair values of financial instruments (Continued)

(a) Credit risk (Continued)

Concentration risk of credit exposure

An analysis of finance lease receivables by industry is set out below:

	2018		2017	
	RMB	**%**	RMB	%
Services	**150,711,748**	**34%**	164,041,519	27%
Manufacturing	**130,125,560**	**30%**	121,131,164	20%
Wholesale and retailing	**92,835,954**	**21%**	58,361,506	9%
Construction	**57,777,663**	**13%**	67,683,359	11%
Agriculture, forestry, animal husbandry, fishery	**447,484**	**<1%**	558,584	<1%
Infrastructure	**1,000**	**<1%**	200,519,048	32%
Others	**5,433,629**	**1%**	7,564,090	1%
Total	**437,333,038**	**100%**	619,859,270	100%

An analysis of loans and receivable by industry is set out below:

	2018		2017	
	RMB	**%**	RMB	%
Wholesale and retailing	**–**	**–**	13,500,000	70%
Manufacturing	**–**	**–**	5,881,889	30%
Total	**–**	**–**	19,381,889	100%

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group’s business. The Group’s market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

As the Group’s principal activities are carried out in the PRC, the Group’s transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People’s Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People’s Bank of China that are determined largely by supply and demand.

The Group’s exposure to currency risk primarily arises from cash balances denominated in a foreign currency, i.e. a currency other than the functional currency of the operation to which the transaction related. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded during the assessment.

The Directors consider the Group’s exposure to foreign currency risk is not significant during the reporting period.

(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values of financial instruments (Continued)

(b) Market risk (Continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 December 2017 and 2018.

Fixed rate financial instruments	**2018 RMB**	2017 RMB
Financial assets/liabilities		
Pledged deposits	**–**	14,578,395
Loans and receivables	**–**	18,888,661
Finance lease receivables	**412,794,126**	600,485,216
Bank borrowings	**100,000,000**	340,000,000
Variable rate financial instruments:		
Financial assets/liabilities		
Cash and cash equivalents	**98,602,193**	11,183,137
Bank borrowings	**65,000,000**	–
Net exposure	**346,396,319**	305,135,409

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of 31 December 2017 and 2018.

	2018 RMB	2017 RMB
Retained profits		
+ 100 basis points	**252,016**	83,874
- 100 basis points	**228,669**	(29,356)

(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values of financial instruments (Continued)

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of the each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Indefinite/ Overdue/ On demand RMB	Within 1 month RMB	1 to 3 months RMB	3 months to 1 year RMB	1 to 5 years RMB	Total RMB
31 December 2017						
Cash and cash equivalent	11,183,137	–	–	–	–	11,183,137
Pledged and restricted deposits	14,578,395	–	–	–	–	14,578,395
Finance lease receivables	18,076,718	25,138,097	35,902,959	348,263,072	311,071,228	738,452,074
Loans and receivables	13,500,000	2,048,592	2,879,401	1,076,549	–	19,504,542
Trade and other receivables	762,175	–	200,000	1,189,565	–	2,151,740
Total financial assets	58,100,425	27,186,689	38,982,360	350,529,186	311,071,228	785,869,888
Borrowings	–	593,750	1,187,500	204,824,536	150,593,750	357,199,536
Trade and other liabilities	4,765,444	26,400	552,948	58,528,137	51,870,363	115,743,292
Total financial liabilities	4,765,444	620,150	1,740,448	263,352,673	202,464,113	472,942,828
Net exposure	53,334,981	26,566,539	37,241,912	87,176,513	108,607,115	312,927,060

(Expressed in Renminbi unless otherwise indicated)

22 Financial risk management and fair values of financial instruments (Continued)

(c) Liquidity risk (Continued)

	Indefinite/ Overdue/ On demand RMB	Within 1 month RMB	1 to 3 months RMB	3 months to 1 year RMB	1 to 5 years RMB	Total RMB
31 December 2018						
Cash and cash equivalent	98,602,193	–	–	–	–	98,602,193
Finance lease receivables	40,955,957	17,093,316	32,154,690	159,185,304	268,103,785	517,493,052
Trade and other receivables	361,616	–	–	–	189,565	551,181
Total financial assets	139,919,766	17,093,316	32,154,690	159,185,304	268,293,350	616,646,426
Borrowings	–	505,083	1,489,996	168,771,559	–	170,766,638
Trade and other liabilities	5,789,074	25,060	42,660	6,520,078	59,571,326	71,948,198
Total financial liabilities	5,789,074	530,143	1,532,656	175,291,637	59,571,326	242,714,836
Net exposure	134,130,692	16,563,173	30,622,034	(16,106,333)	208,722,024	373,931,590

(d) Fair values

As at 31 December 2017 and 2018, no financial assets or liabilities were measured at fair values in the Group's consolidated statements of financial position.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate to their fair values.

23 Commitments

Operating lease commitments

At the end of respective reporting periods, the Group had commitments for future minimum lease payments under noncancellable operating leases which fall due as follows:

	2018 RMB	2017 RMB
Within one year	**942,000**	442,119
After 1 year but less than 5 years	**1,292,500**	–
Total	**2,234,500**	442,119

24 Contingent liabilities

As at 31 December 2017 and 2018, there were no outstanding legal proceedings against the Group.

25 Material related party transactions

(a) Name and relationship with related parties

Name of the entities	Relationship
Mr. Zhou Yongwei (周永偉先生)	One of ultimate controlling shareholders of the Group
Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) ("Septwolves Group Holding")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Group Finance Co., Ltd.* (福建七匹狼集團財務有限公司) ("Fujian Septwolves Group Finance")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司) ("Fujian Septwolves Group")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Septwolves Asset Management Co., Ltd.* (廈門七匹狼資產管理有限公司) ("Septwolves Asset Management")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Huakai Fugui Property Management* (廈門花開富貴物業管理有限公司) ("Huakai Fugui Property Management")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司) ("Jingong Machinery")	A company of which 50% interest held by Ke Jinding
MARX Capital Limited ("MARX Capital")	One of shareholders of the Group
Shengshi Capital Limited ("Shengshi Capital")	One of shareholders of the Group
Jinjiang Xuecheng Construction Co., Ltd.* (晉江學城建設有限公司) ("Jinjiang Xuecheng")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

(Expressed in Renminbi unless otherwise indicated)

25 Material related party transactions (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2018 **RMB**	2017 RMB
Short-term employee benefits	**1,427,383**	1,310,955
Post-employment benefits	**50,577**	52,075
Total	**1,477,960**	1,363,030

Total remuneration is included in "staff costs" (see note 5(a)).

(c) Related parties transactions

	2018 **RMB**	2017 RMB
Interest income from deposits with financial institutions		
– Fujian Septwolves Group Finance	**–**	964,912
Payment for leased assets		
– Jingong Machinery	**7,408,000**	12,463,000
Operating lease income		
– Fujian Septwolves Group Finance	**–**	25,641
Interest income		
– Fujian Septwolves Group	**–**	430,000
Rental and property management fee		
– Septwolves Asset Management	**870,000**	870,000
– Huakai Fugui Property Management	**234,015**	234,015
– Mr. Zhou Yongwei	**100,320**	275,880
Advances to a related party		
– Fujian Septwolves Group	**–**	55,000,000
Repayment from a related party		
– Fujian Septwolves Group	**–**	60,000,000

(Expressed in Renminbi unless otherwise indicated)

25 Material related party transactions (Continued)

(d) Balance with related parties

(i) Amounts due from related parties

	2018 RMB	2017 RMB
Trade related		
Prepayment for leasing assets		
– Jingong Machinery	**488,598**	22,232
Non-trade related		
Trade and other receivables		
– MARX Capital*	**–**	400,568
– Shengshi Capital*	**–**	200,451
Interest receivable		
– Fujian Septwolves Group*	**–**	527,000
Prepayment for rental and property management fee		
– Septwolves Asset Management	**–**	81,765
– Huakai Fugui Property Management	**–**	2,692
Deposit for rental and property management		
– Septwolves Asset Management	**152,250**	152,250
– Huakai Fugui Property Management	**37,315**	37,315

* Trade and other receivables from MARX Capital and Shengshi Capital, and interest receivable from Fujian Septwolves Group were fully repaid in 2018.

(ii) Amounts due to related parties

	2018 RMB	2017 RMB
Trade related		
Accounts payable		
– Jingong Machinery	**103,983**	17,991

(e) Guarantees provided by related parties

The guarantees provided by related party to the Group as the end of the year were as follows:

	2018 RMB	2017 RMB
Septwolves Group Holding	**194,000,000**	–

(Expressed in Renminbi unless otherwise indicated)

26 Company-level statement of financial position

	Note	2018 RMB	2017 RMB
Non-current assets			
Interests in subsidiaries		**250,580,933**	173,267,927
Current assets			
Trade and other receivables		**–**	601,019
Cash and cash equivalents		**735,389**	292,780
		735,389	893,799
Current liabilities			
Trade and other liabilities		**4,370,057**	292,652
Net current (liabilities)/assets		**(3,634,668)**	601,147
Total assets less current liabilities		**246,946,265**	173,869,074
NET ASSETS		**246,946,265**	173,869,074
CAPITAL AND RESERVES	*21*		
Share capital		**2,301,857**	169
Share premium		**238,097,760**	176,074,003
Reserves		**6,546,648**	(2,205,098)
TOTAL EQUITY		**246,946,265**	173,869,074

Approved and authorized for issue by the board of directors on 20 March 2019.

Huang Dake
Director

Chen Xinwei
Director

(Expressed in Renminbi unless otherwise indicated)

27 Non-adjusting events after the reporting period

(a) After the end of reporting period the directors proposed a final dividend. Further details are disclosed in note 21(b).

(b) On 11 January 2019, Xiamen Byleasing established Shanghai Byleasing Commercial Factoring Co., Ltd. (上海百應商業保理有限責任公司) ("Shanghai Byleasing") with registered capital of RMB50,000,000, in which Xiamen Byleasing holds 100% equity interest. Upon its establishment, Shanghai Byleasing became a subsidiary of the Group.

28 Comparative figures

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

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 December 2018

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

	Effective for accounting year beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

HKFRS 16, *Leases*

As disclosed in note 1(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low- value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 December 2018 (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease. The Group plans to elect to use modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 23, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amounted to RMB2,234,500 for properties. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB2,080,388 and RMB2,080,388 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Definitions

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

"AGM"	the annual general meeting of the Company to be held at Unit 1, 30/F, No. 77, Tai Nan Road, Siming District, Xiamen, Fujian Province, the PRC at 10:00 a.m. on Wednesday, 19 June 2019
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company as amended from time to time
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"Company"	Byleasing Holdings Limited (百應租賃控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 5 June 2017, the Shares of which are listed on the Exchange (stock code: 8525)
"Controlling Shareholder"	has the meaning ascribed thereto under the GEM Listing Rules and in case of the Company, refers to Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming
"Director(s)"	the director(s) of the Company
"Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Fujian Province" or "Fujian"	Fujian Province (福建省), a province located in the southeastern coast of China
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group", "we", "us" or "our"	the Company and its subsidiaries from time to time
"HDK Capital"	HDK Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017
"HKFRSs"	Hong Kong Financial Reporting Standards

Definitions

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	independent third party(ies) who are not connected person(s) (as defined in the GEM Listing Rules) of the Company and are independent of and not connected with the Company and its Directors, chief executive, and Substantial Shareholders or any of its subsidiaries or their respective associates
"Jingong Machinery"	Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司), a company established in the PRC with limited liability on 27 August 1993, which was owned as to 50% by Mr. Ke Jinding, non-executive Director and 50% by Mr. Ke Shuiyuan
"Listing"	the listing of the Shares on GEM
"Listing Date"	18 July 2018, the day on which the Shares dealings in the Shares first commenced on GEM
"Prospectus"	the prospectus of the Company dated 30 June 2018 in connection with the Hong Kong Share Offer
"Reporting Period"	the period for year ended 31 December 2018
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Septwolves Group Holding"	Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司), a company incorporated in the PRC with limited liability on 25 February 2000, which is principally engaged in project investment and asset management
"Septwolves Holdings"	Septwolves Holdings Limited, a company incorporated in BVI with limited liability on 26 May 2017
"SFO"	the securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

Definitions

"Shengshi Capital"	Shengshi Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017
"SMEs"	small and medium-sized enterprise(s), as defined in the Statistics on the Measures for Classification of Large, Medium, Small and Miniature Enterprises (2017) (統計上大中小微型企業劃分辦法(2017))
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, collectively refers to Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Ms. Chen Pengling
"VAT"	Value added tax
"Xiamen Byleasing"	Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司), a company established in the PRC with limited liability on 9 March 2010
"Zijiang Capital"	Zijiang Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017

* *for identification purpose only*

By Leasing
百應租賃

Byleasing Holdings Limited
百應租賃控股有限公司