富道
WEALTHY WAY

# Wealthy Way Group Limited

# 富道集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3848

# ANNUAL REPORT 2017

富道

WEALTHY WAY

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# Corporate Information

## COMPANY NAME

Wealthy Way Group Limited

## STOCK CODE

03848

## BOARD OF DIRECTORS

### Executive Directors

Mr. LO Wai Ho *(Chairman)*
Ms. CHAN Shuk Kwan Winnie

### Non-Executive Director

Mr. XIE Weiquan

### Independent Non-Executive Directors

Mr. HA Tak Kong
Mr. IP Chi Wai
Ms. HUNG Siu Woon Pauline

## AUDIT COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. IP Chi Wai
Ms. HUNG Siu Woon Pauline

## REMUNERATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

## NOMINATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

## COMPANY SECRETARY

Ms. CHEUK Tat Yee

## REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3402, 34/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

## COMPANY WEBSITE

http://www.cwl.com

## AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

## COMPLIANCE ADVISOR

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKER

China Exim Bank
No. 30, FuXingMen Nei Street
Xi Cheng District
Beijing
PRC

Shanghai Pudong Development Bank
No. 12, Zhongshen Dong Yi Road
Shanghai
PRC

Agricultural Bank of China
No. 69, Jianguomen Nei Avenue
Dongcheng District
Beijing
PRC

# Chairman's Statement

On behalf of the board of directors (the "Board") of Wealthy Way Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "Reporting Period") to shareholders of the Company.

Provision of financial leasing services for customers including airline companies, health care service providers, public utilities providers and energy saving equipment providers and manufacturers remained as the principal operation of the Group in 2017. In response to the strategic plan of "Made in China 2025", we focused on operating in the areas with prosperous development of the manufacturing industry in the Pearl River Delta Region. We successfully established effective connection between equipment manufacturers and end customers in the targeted region, thus creating new profit-generating segment for our operations. During the year, our operational standards remained stable. However, in order to cope with changes in the economic environment, we were selective and accepted only quality customers with high credibility. We will continue to develop in a prudent manner so as to enhance asset quality and minimise our overall asset risk exposure.

Looking forward in 2018, there might be more challenges ahead amid the changes in the economic environment. The Chinese government has already commenced the implementation of a series of tax concession measures and accelerated the state-owned enterprise reform, which has provided more opportunities for private enterprises. The Shenzhen government has also introduced regional stimulation policy for the financial leasing industry. There will be more favourable factors in the future. Meanwhile, we will optimise our risk review mechanism, risk control and after-loan asset management. We will also actively explore new business opportunities, and further expand and strengthen our regional customer base. We are very confident about the future development of our Group.

Lastly, on behalf of the Board, I would like to express my heartfelt gratitude for the continuous support of our shareholders, as well as the efforts and contributions made by our management team and all employees during the past year.

## BUSINESS OVERVIEW

The Company was successfully listed on the Main Board of the Exchange (the "Listing") on 21 July 2017. During the year ended 31 December 2017, the operating results of the Group grew steadily and the revenue of the Group was mainly derived from financial leasing interest income, financial leasing related factoring service income and advisory services income, accounting for approximately 59.0%, 9.8% and 31.2% of the total revenue of the Group, respectively.

The financial leasing industry in China experienced extremely rapid growth in 2017. Due to the improvement of industry regulation system and the simplification of declaration procedure for financial leasing company, the Directors anticipated that stable growth of the Group's business in the PRC will continue in the near future. The Group's financial leasing services and advisory services are provided to customers mainly including airline company, health care service provider and manufacturer.

Over the years, the Group has accumulated knowledge and experience in meeting the financing needs of customers in various industries and of different sizes in the PRC. The Group's financial leasing services are provided to customers who have financing needs as an alternative source of financing to traditional sources of financing. The Directors expect that not only the customers but also other companies in their industries will continue to have demand for financial leasing services. And the Directors believe that maintaining good relationship with the customers, equipment manufacturers and banks is crucial to the Group's continued success.

## FINANCIAL REVIEW

The following discussion and analysis pertains to the financial information of the Group.

### Revenue

The Group's revenue was derived from (i) interest income from financial leasing; (ii) interest income from financial leasing related factoring; (iii) financial leasing advisory services income; and (iv) other financial advisory services income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

During the year, the revenue composition is as follows.

| | **2017**<br>**RMB '000** | 2016<br>RMB '000 | Variance<br>% |
|---|---|---|---|
| Interest income from financial leasing | **56,978** | 41,520 | 37.2% |
| Interest income from factoring | **9,438** | 1,425 | 562.3% |
| Advisory services income | **30,171** | 28,298 | 6.6% |
| TOTAL | **96,587** | 71,243 | 35.6% |

The revenue recorded a significant increase by approximately 35.6% from approximately RMB71.2 million for the year ended 31 December 2016 to approximately RMB96.6 million for the year ended 31 December 2017. The increase was mainly due to the Group's business expansion and new financial leasing contracts entered between the Group and the customers, including new customers such as manufacturers in 2017. For the year ended 31 December 2017, the interest income from financial leasing contributed approximately RMB57.0 million (for the year ended 31 December 2016: approximately RMB41.5 million). The interest income from financial leasing related factoring for the year ended 31 December 2017 contributed approximately RMB9.4 million (for the year ended 31 December 2016: approximately RMB1.4 million). The Group's advisory services mainly include financial leasing advisory services, and other financial advisory services. For the year ended 31 December 2017, advisory services income contributed approximately RMB30.2 million (for the year ended 31 December 2016: approximately RMB28.3 million). The Directors intend to remain focused on the financial leasing services and factoring in the future to achieve long term growth.

## Other income

Other income increased by approximately RMB1.64 million from approximately RMB38,000 for the year ended 31 December 2016 to approximately RMB1.67 million for the year ended 31 December 2017 due to the interest income gained from the short-term investment which was fully redeemed in June 2017.

## Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB2.1 million or 39.6% from approximately RMB5.3 million for the year ended 31 December 2016 to approximately RMB7.4 million for the year ended 31 December 2017 due to the increase in the manpower for the Group's expanding business.

## Other operating expenses

Other operating expenses included primarily the entertainment expense, legal and professional fee, travelling expenses, etc. For the year ended 31 December 2017, the other operating expenses was approximately RMB6.0 million (for the year ended 31 December 2016: approximately RMB5.2 million), representing approximately 6.2% of the Group's total revenue (for the year ended 31 December 2016: approximately 7.3%).

## Listing expense

For the year ended 31 December 2017, the listing expenses was approximately RMB9.0 million (for the year ended 31 December 2016: approximately RMB4.5 million), which was non- recurring in nature.

## Finance Cost

The finance cost increased by approximately 176.2% from approximately RMB12.6 million for the year ended 31 December 2016 to approximately RMB34.8 million for the year ended 31 December 2017. This was due to the new bank borrowings raised for business expansion.

## Income Tax Expense

The income tax expense of the Group includes corporate income tax arisen from the subsidiaries in the PRC with the tax rate of 25% under the Enterprise Income Tax Law of PRC. The income tax expenses of the Group increased by 5.5% to RMB13.34 million during the Year from RMB12.66 million for the year ended 2016 consistent with the assessable profits of the subsidiaries.

## Profit for the year attributable to the owners of the Company

Profit for the year decreased by approximately RMB3.2 million or 10.8% from approximately RMB29.6 million for the year ended 31 December 2016 to approximately RMB26.4 million for the year ended 31 December 2017. Such decrease was mainly due to the increase in employee benefit expenses and listing expense.

## Final dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017 (year ended 31 December 2016: Nil).

## Liquidity, financial resources and capital structure

The Group generally finances its operation with internal resource and banking facilities granted by bankers in the PRC. The Group also utilised the net proceeds from the Listing during 2017. As at 31 December 2017, the cash and cash equivalents were approximately RMB56.0 million (31 December 2016: approximately RMB107.4 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB371.0 million (31 December 2016: approximately RMB227.9 million) and approximately RMB486.5 million (31 December 2016: approximately RMB298.9 million).

As at 31 December 2017, the Group's bank borrowings with maturity within one year amounted to approximately RMB117.6 million (31 December 2016: approximately RMB98.7 million) and the Group's bank borrowings with maturity exceed one year amounted to approximately RMB551.1 million (31 December 2016: approximately RMB260.7 million).

Gearing ratio (total bank borrowings/total equity) as at 31 December 2017 was approximately 137.4% (31 December 2016: approximately 120.3%). Such increase was mainly due to increasing bank borrowings for business expansion.

## Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principal and interest of financial leasing; (ii) factoring loan receivables; and (iii) accounts receivables of advisory services fees. As at 31 December 2017, the loan and account receivables were approximately RMB1,147.3 million (31 December 2016: approximately RMB584.5 million), and this increase was mainly due to the expansion of financial leasing business during 2017.

## Capital commitments

As at 31 December 2017, the Group had no capital commitments (31 December 2016: Nil).

### Employees and remuneration policy

As at 31 December 2017, the Group employed 40 full time employees (as at 31 December 2016: 28) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB7.4 million for the year ended 31 December 2017 (year ended 31 December 2016: RMB5.3 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

### Pledge of assets

As at 31 December 2017, certain of the Group's leased assets with an aggregate carrying amount of approximately RMB1,088.5 million (2016: RMB858.3 million) and finance lease receivables with an aggregate carrying amount of approximately RMB747.5 million (2016: RMB585.0 million) have been pledged to secure the borrowings of the Group. Except for the above, there are no other charges on the Group's assets.

## RISK MANAGEMENT

The Group's business operations are conducted in the PRC for the PRC financial leasing market. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC.

Being a financial leasing service provider, the Group has implemented a risk management system to mitigate the risks in daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are risk management department, business development department, and accounting and finance department. Each potential opportunity is assessed by the business development department on customer's background, credit records, financials and the underlying assets. The risk management department reviews all given information and thoroughly considers relevant risk factors. Where necessary, external legal advisors are engaged to review the legal issues in the project. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitor financial leasing receivables.

The Directors take both macro and micro economic conditions into account before making business decisions. Despite the recent slow-down of the PRC economy in general, the Group has been able to continue to increase revenues and financial leasing receivables during the year ended 31 December 2017. The Group will continue to improve risk management capabilities. The Group would further streamline process workflow to enhance customer selection process, including credit assessment and approval procedures. In addition, the Group intends to upgrade information technology system, to more closely monitor each of the customers' financial and operational status. Finally, the Group will continue to expand risk management team to cater for expanding business operations.

## CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Exchange on 21 July 2017. The actual net proceeds from the placing and public offer of the 36,000,000 new shares of the Company (the "Share Offer") were approximately HK$172.5 million (equivalent to RMB148.1 million). The Group intended to use the net proceeds from the Share Offer to achieve future plans mainly in the following manner: (i) 70%, or approximately HK$120.8 million (equivalent to RMB103.7 million), to be applied towards expanding current financial leasing operation; (ii) 20%, or approximately HK$34.5 million (equivalent to RMB29.6 million) to be applied towards developing new financial leasing related factoring business; and (iii) the remaining balance of 10%, or approximately HK$17.2 million (equivalent to RMB14.8 million), to be used as the Group's general working capital.

As at 31 December 2017, the Company has utilised the net proceeds of approximately HK$172.5 million raised from the Share Offer in accordance with the intended use of proceeds set out in the Company's prospectus.

## SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 14,400,000 shares of the Company in total.

There were no share options outstanding under the Share Option Scheme for the year ended 31 December 2017 nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2017.

## EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2017 and up to the date of this report.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 June 2018 to Wednesday, 13 June 2018, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on Wednesday, 13 June 2018, all transfers of shares accompanied by the relevant share certificates must 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, no later than 4:30 p.m. on Thursday, 7 June 2018.

## OUTLOOK AND PLANS

In 2017, the Directors have seen the maintenance in overall stability and progressive development of the overall economy in China. Despite the global divergent economic recovery and challenging operation environment, the Group managed to achieve steady growth in comparison to previous corresponding period. The Group will continue with current prudent approach, effectively controlling cost and conservatively promoting business amongst customers of high calibre to adapt to this challenging environment. Looking ahead to 2018, the Group will continue to enhance risk management capabilities; expand business operation into financial leasing related factoring service to capture growth opportunities; develop business with existing and new customers in industries with growth potential; strengthen management team by hiring senior staff with industry experience; and build up customer loyalty to the Group in order to strive for sustainable growth.

## EXECUTIVE DIRECTORS

**Mr. Lo Wai Ho (盧偉浩)**, aged 48, is an executive Director, the founder, chairman and chief executive officer of the Group. He is mainly responsible for the overall strategic planning and management of the Group.

Mr. Lo has over 23 years of experience in the areas of corporate management, finance and property development. From July 1993 to December 1997, Mr. Lo was the deputy general manager of Heng Feng Investments (China) Development Company Limited ("Heng Feng") (formerly known as Stable Profit Industries Limited and Heng Feng Investments (China) Development Company Limited). Heng Feng is principally engaged in the business of property development projects in the PRC. Mr. Lo was responsible for the corporate management, finance and the PRC property projects of Heng Feng. In January 1998, he was appointed as a director of Heng Feng.

Since the beginning of 2012 after Mr. Lo founded the Group, he has been primarily responsible for overall strategy of Heng Feng. He has not been involved in its day-to-day operations.

Mr. Lo has also been one of the directors of (i) Grand Partners Asset Management Limited since June 2011, a corporation licensed under the SFO to carry out type 9 (asset management) regulated activities; (ii) Grand Partners Investment Consultants Limited since August 2015, a corporation licensed under the SFO to carry out type 4 (advising on securities) regulated activities; and (iii) Grand Partners Securities Limited since October 2015, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities. Mr. Lo is not involved in their day-to-day operations and his primary responsibilities are to preside over and participate in board meetings, provide strategic advice and guidance to the management of Grand Partners Asset Management Limited, Grand Partners Investment Consultants Limited and Grand Partners Securities Limited. Mr. Lo is currently the vice-chairman of 深圳市融資租賃行業協會 (Shenzhen Financial Leasing Industry Society*).

Mr. Lo is the uncle of Mr. Xie and Mr. Lu Zemin (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

**Ms. Chan Shuk Kwan Winnie (陳淑君)**, aged 52, is an executive Director and is mainly responsible for the overall strategy planning of the Group. She joined the Group on 12 May 2016. She has over 20 years of experience in the banking and finance industry in Hong Kong, and specializes in credit analysis and loan administration. From January 1989 to August 1990, Ms. Chan was a credit analyst of OTB Card Company Limited, a company which was principally engaged in the credit card business. From August 1990 to August 1992, she was employed as credit analyst in the loans department of Sumitomo Mitsui Trust (Hong Kong) Limited (formerly known as The Sumitomo Trust Finance (H.K.) Limited), a company which was principally engaged in the business of debt investment, provision of securities, investment advisory and fund management services. From February 1996 to July 2013, Ms. Chan worked in Industrial & Commercial Bank of China (Asia) Limited (formerly known as Belgian Bank and Fortis Bank Asia HK), a licensed bank registered with the Hong Kong Monetary Authority and her last position was credit manager in the credit department.

In April 1988, Ms. Chan obtained a degree of Bachelor of Science from University of South Florida, USA.

Ms. Chan is not connected with any other Directors, members of the senior management, substantial shareholders or other controlling shareholders of the Company.

## NON-EXECUTIVE DIRECTOR

**Mr. Xie Weiquan (謝偉全)**, aged 36, was appointed as non-executive Director on 12 May 2016 and is mainly responsible for advising on business opportunities for investment, development and expansion of the Group. He joined the Group on 1 January 2013 in charge of the finance and risk management, human resources and general administration of CWW Leasing and CWW Services. Mr. Xie has been re-designated as the consultant of CWW Leasing and CWW Services since 12 May 2016 to render advices particularly relating to finance and risk management.

Mr. Xie has extensive experience in finance, investment and asset management. From July 2006 to July 2009, Mr. Xie worked at 中國平安人壽保險股份有限公司 (China Ping An Life Insurance Co., Ltd.), which is an insurance company and he was primarily responsible for the development of investment management system and procurement. From September 2009 to December 2012, he was the manager of finance of 廣東恒豐投資集團有限公司 (GD Hengfeng Investment Group Co. Limited*), a limited liability company incorporated in the PRC which is principally engaged in the business of property investment and development. Mr. Xie has been a representative and member of the investment committee of Grand Partners Asset Management Limited since February 2014, and has been its Responsible Officer since 21 April 2017. Mr. Xie has also been a representative of Grand Partners Investment Consultants Limited since October 2016. Mr. Xie is primarily responsible for the business operations and marketing of Grand Partners Asset Management Limited and Grand Partners Investment Consultants Limited.

In July 2004, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology), PRC with a degree of Bachelor of Management in Science and Engineering. In July 2006, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology) PRC, with a degree of Master of Management in Science and Engineering. In November 2015, he obtained a degree of Master of Business Administration in Finance from The Chinese University of Hong Kong.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and cousin of Mr. Lu Zemin (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Ha Tak Kong (夏得江)**, aged 49, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He has over 27 years of experience in financial accounting and auditing. Between June 2004 to September 2015, Mr. Ha was appointed as an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司) (formerly known as Garron International Limited) (stock code: 1226). Between September 2007 and October 2008, Mr. Ha was an independent non-executive director of Seamless Green China (Holdings) Limited (無縫綠色中國(集團)有限 公司) (formerly known as Fast Systems Technology (Holdings) Limited (東光集團有限公司)) (stock code: 8150). Since December 1992, Mr. Ha has been employed as the chief financial officer of World Wide (Hardware) Industrial Co., an export/import trading company.

In December 2002, Mr. Ha graduated with a degree of Bachelor of Accounting from the University of Hong Kong.

Mr. Ha has been admitted as an associate of the Association of International Accountants since November 2003, an associate of The Taxation Institute of Hong Kong since March 2004 and a member of The Hong Kong Institute of Certified Public Accountants since July 2004.

**Mr. Ip Chi Wai (葉志威)**, aged 50, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company. Mr. Ip has been an independent non-executive director of Asia Standard Hotel Group Limited (泛海酒店集團有限公司) (stock code: 292) and Dingyi Group Investment Limited (鼎億集團投資有限公司) (stock code: 508) since December 2003 and March 2016 respectively. Between September 2000 and November 2013, Mr. Ip was an independent non-executive director of China Bio Cassava Holdings Limited (中國生物資源控股有限公司) (formerly known as Q9 Technology Holdings Limited) (九方科技控股有限公司) (stock code: 8129).

In December 1990, Mr. Ip graduated from the University of Hong Kong with a degree of Bachelor of Laws. He was admitted as a solicitor in Hong Kong in 1993 and has over 23 years of experience in the legal profession.

**Ms. Hung Siu Woon Pauline (洪小媛)**, aged 51, was appointed as an INED on 19 June 2017. She is mainly responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company.

Ms. Hung has over 19 years of experience in the finance industry in Hong Kong. In September 1997, Ms. Hung joined Emperor Securities Limited and her last position was senior manager of credit & risk control, when she resigned in September 2004. Ms. Hung was mainly responsible for risk management and compliance, supervise operations of the credit and compliance and dealing departments. From August 2006 to December 2007, she was employed as operation manager of Environmental Pioneers & Solutions Limited, which is now a subsidiary of FSE Engineering Holdings Limited (stock code: 331) and a former subsidiary of NWS Holdings Limited (stock code: 659). Ms. Hung was responsible for operations supervision including sales and marketing and accounting. From January 2008 to April 2009, she was employed as operation director of Success International Management Services Limited and was mainly responsible for operations supervision. Between July 2009 and September 2014, Ms. Hung was operations manager and representative of AM Wanhai Securities Limited (formerly known as AM Capital Limited) which is a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities. Between January 2015 and April 2015, Ms. Hung was employed as head of compliance and risk by South China Finance and Management Limited, a subsidiary of South China Financial Holdings Limited (stock code: 619). During the period from 1 March 2016 to 31 March 2016, Ms. Hung was an investment representative of KGI Hong Kong Limited. Ms. Hung also joined FDT Capital Limited in April 2016 as the director of operations and was transferred to FDT Securities Limited (formerly known as Mega Securities (Hong Kong) Company Limited), and resigned in December 2016. Since October 2014, she has been a director of Green Robin Hood Organisation Limited, which is listed in the Hong Kong list of charitable institutions and trusts of public character. Ms. Hung has been appointed as an independent non-executive director of WT Group Holdings Limited (stock code: 8422) since 1 December 2017.

In December 1991, Ms. Hung completed her study in commerce in Murdoch University, Australia and was awarded a degree of Bachelor of Commerce. In April 2007, she obtained a degree of Master of Business Administration from the University of Western Sydney, Australia.

## SENIOR MANAGEMENT

**Mr. Shi Lei (石磊)**, aged 40, joined the Group on 1 September 2014 as the general manager of CWW Leasing and the deputy general manager of CWW Services. He is mainly responsible for the Group's overall business development.

Mr. Shi has over 15 years of experience in the financial leasing industry in the PRC. Mr. Shi obtained a bachelor degree in financial management from 中央財經大學 (Central University of Finance and Economics), PRC in June 2001. From July 2001 to March 2005, he had been employed as accounting officer, project manager of the leasing and finance departments, head of the capital department and head of the investment banking department at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (formerly known as Shenzhen Finance Leasing Co. Ltd. (深圳金融租賃有限公司)). Mr. Shi was mainly responsible for overseeing its leasing and finance, capital and investment banking department. During March 2005 to September 2011, Mr. Shi had been the deputy general manager of the accounting and finance department and the general manager of the leasing department of 南方國際租賃有限公司 (South China International Leasing Co. Ltd.). Mr. Shi was mainly responsible for overseeing its finance and leasing department. From October 2011 to September 2014, Mr. Shi was the deputy general manager of 深圳市永泰融資租賃有限公司 (Shenzhen Win Time Financial Leasing Company Limited). Mr. Shi was mainly responsible for overseeing its business section.

**Mr. Lu Zemin (盧澤民)**, aged 30, is the head of the risk management department of CWW Leasing and is mainly responsible for overseeing its risk management department. He joined the Group on 20 February 2012.

Prior to joining the Group, Mr. Lu worked for 深圳恒豐海悦國際酒店有限公司 (Hengfeng Haiyue International Hotel Company Limited) as the senior manager of the marketing department during August 2007 to February 2009. From March 2009 to December 2012, Mr. Lu worked for 廣東恒豐集團有限公司 (GD. Hengfeng Group Co. Ltd.) as the senior manager of its investment department.

At the initial stage of the Group, Mr. Lu was appointed by Mr. Lo as his nominee to be (i) the director (from 5 April 2012 to 22 January 2015), legal representative (from 5 April 2012 to 22 January 2015) and general manager (from 5 April 2012 to 7 May 2014) of CWW Leasing; and (ii) the director, legal representative and general manager (from 20 February 2012 to 18 October 2015) of CWW Services. Mr. Lu mainly assisted Mr. Lo in the establishment of CWW Leasing and CWW Services at the initial stage and later their external affairs under Mr. Lo's instructions. He has been re-designated as the head of risk management of CWW Leasing since 1 September 2014.

Mr. Lu completed an online course in administrative management from 華中科技大學 (Huazhong University of Science and Technology), PRC in July 2011. Mr. Lu obtained certificates for passing the financial leasing practical training issued by 中國外商投資企業協會租賃業工作委員會 (China Leasing Business Association of CAEFI) in July 2013 and November 2014 respectively.

Mr. Lu is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and the cousin of Mr. Xie (the Group's non-executive Director). Other than disclosed in this annual report, Mr. Lu is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

**Ms. Shi Yumei (史玉梅)**, aged 34, joined the Group on 30 November 2012 as the head of accounting and finance department of CWW Leasing and CWW Services. She is mainly responsible for the accounting and finance of CWW Leasing and CWW Services.

Ms. Shi has over 9 years of experience in financial accounting in the PRC. She was the head of the accounting and finance department of 深圳市三智通信技術有限公司 (Shenzhen City Sanzhi Telecommunications Technology Company Limited) from January 2008 to December 2012. Ms. Shi obtained a bachelor degree in accounting from 延安大學 (Yanan University), the PRC in July 2007. She has been qualified as an intermediate accountant in the PRC in October 2012.

**Mr. Luo Xing (羅興)**, aged 34, joined the Group on 10 September 2014 as the head of business development department of CWW Leasing and CWW Services. He is mainly responsible for assisting the general manager in the business development of the Group, particularly in respect of the financial leasing business of CWW Leasing.

Mr. Luo graduated from 廣東工業大學 (Guangdong University of Technology) in June 2006 with a bachelor's degree in business management. Prior to joining the Group, Mr. Luo was the department head of business department of 深圳永泰融資租賃有限公司 (Shenzhen Win Time Financial Leasing Company Limited) from October 2011 to August 2014, responsible for its business development, customer relations and liaison with banks.

## COMPANY SECRETARY

**Ms. Cheuk Tat Yee (卓達儀)**, aged 31, was appointed as company secretary of the Company on 12 May 2016. Ms. Cheuk worked at Ernst & Young as accountant between November 2009 to December 2013. She was an assistant accounting manager of Shing Future Holdings Limited, which is a subsidiary of Hoifu Energy Group Limited (凱富能源集團有限公司) (stock code: 7), from December 2013 to October 2015. Ms. Cheuk was the company secretary of China Investment and Finance Group Limited (stock code: 1226) from August 2014 to March 2015. During the period from November 2015 to February 2017, she was the senior accountant at Taobao China Holding Limited. She has been the finance manager of Haifu International Finance Holding Group Limited since February 2017. Ms. Cheuk graduated with a degree of Bachelor of Business Administration in Professional Accounting from The Hong Kong University of Science and Technology in November 2009. She has been a member of the Hong Kong Institute of Certified Public Accountants since November 2011.

# Corporate Governance Report

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 July 2017 (the "Listing Date"). The Board hereby presents to the Shareholders the corporate governance report for the period from the Listing Date to 31 December 2017 (the "Period").

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange. For the year ended 31 December 2017, the Board of the Company have performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

## BOARD OF DIRECTORS

### Composition

During the Period and up to the date of this report, the composition of the Board is as follow:

#### Executive Director, Chairman and Chief Executive Officer

Mr. LO Wai Ho

#### Executive Director

Ms. CHAN Shuk Kwan Winnie

#### Non-executive Directors

Mr. XIE Weiquan

#### Independent Non-Executive Directors ("INEDs")

Mr. HA Tak Kong
Mr. IP Chi Wai
Ms. HUNG Siu Woon, Pauline

### Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the Articles of Association. The biographies of the Directors are set out on pages 11 to 15 of this annual report under the "Biographical Details of Directors and Senior Management".

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. LO Wai HO, the Chairman of the Company is responsible for the overall strategic planning and management of the Group. Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LO, being the Chairperson of the Board, has also been appointed as the Chief Executive Officer of the Group who will keep provided strong and consistent leadership to achieve strategic business growth of the Group to enable a better execution of long-term strategies. All the Board members will be ensured to keep abreast of adequate, complete and reliable information by Mr. LO on issues to be discussed at Board meetings. Moreover, the three independent Non-Executive Directors (the "INEDs") provide independent and professional opinion on issues addressed at Board meetings and therefore, the Board believes that there is a balance of power and authority governed by the current Board structure with half of them being the INEDs and does not intend to make any change in the composition of the Board. The Board will continue to review the Board composition from time to time and shall make necessary changes when appropriate in a timely manner accordingly and inform the Company's shareholders.

Mr. Lo is the uncle of Mr. Xie. Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors of the Company.

## NON-EXECUTIVE DIRECTORS

The Non-Executive Director of the Company, Mr. Xie Weiquan is appointed for a specific term which may be extended as each of the Non-Executive Director and the Company may agree, unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors of the Company.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that the INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified in all corporate communications that disclose the names of directors.

## Appointment and Rotation of Directors

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

## Board Meetings and Attendance

In accordance with Appendix 14 of the Listing Rules, Code Provision A1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with actively participation of a majority of the Directors, either in person or through other electronic means of communication.

During the period, the Board held a total of eight regular board meetings. Each Director's attendance record for the Board meetings, Board committee meetings and general meetings is set out as follow:

| | Regular board meeting | Nomination Committee | Remuneration Committee | Audit Committee |
|---|---|---|---|---|
| *Executive Director, Chairman and Chief Executive Officer* | | | | |
| Mr. LO Wai Ho | 8/8 | 1/1 | 1/1 | — |
| *Executive Director* | | | | |
| Ms. CHAN Shuk Kwan Winnie | 8/8 | — | — | — |
| *Non-executive Director* | | | | |
| Mr. XIE Weiquan | 8/8 | — | — | — |
| *Independent non-executive Director* | | | | |
| Mr. HA Tak Kong | 8/8 | 1/1 | 1/1 | 1/1 |
| Mr. Ip Chi Wai | 8/8 | 1/1 | 1/1 | 1/1 |
| Ms. Hung Siu Woon Pauline | 8/8 | — | — | 1/1 |

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

# BOARD COMMITTEES

We have established the following committees under the Board: the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). The committees operate in accordance with the terms of reference established by the Board. The terms of reference of the Audit committee, Nomination Committee and Remuneration Committee are posted on the Company's website and the Stock Exchange.

## Audit Committee

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of the Group. The Audit Committee comprises of three INEDs, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Ms. Hung Siu Woon, Pauline. Mr. Ha Tak Kong is the chairman of the Audit Committee.

During the period, the Company has held a meeting of Audit Committee in August 2017.

Up to the date of this report, the Audit Committee has reviewed with the management team and the external auditors the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters and results of the Group of the Reporting Period and proposed adoption of the same by the Directors.

## Remuneration Committee

The Company established the Remuneration Committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management, review performance based remuneration and ensure none of Directors determine their own remuneration. The Remuneration Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo. Mr. Ha Tak Kong is the chairman of the Remuneration Committee.

During the period, the Company has held a meeting of Remuneration Committee in August 2017, in which the Remuneration Committee had reviewed the current directors' fee, the current remuneration policy of the Board and made recommendations to the Board.

## Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The Nomination Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo. Mr. Ha Tak Kong is the chairman of the Nomination Committee.

During the period, the Company has held a meeting of Nomination Committee in August 2017, in which the Nomination Committee had reviewed the current Board's structure, size and composition and made recommendations of appointment of the Board.

### Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the Period, complied with the required standards set out therein.

### Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2017 is set out in Note 10 to the consolidated financial statements.

## EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The company has appointed Moore Stephens CPA Limited ("Moore Stephens") as the Company's external auditor during the year. The Audit Committee considered that these audit and non-audit services have no adverse effect on the independence of Moore Stephens. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Moore Stephens. During the year, Moore Stephen has rendered both audit and non-audit services to the Group and the remuneration paid/payable for the year ended 31 December 2017 is set out as follows:

### Amount of Fees

| **Types of services provided by Moore Stephens** | RMB$'000 |
|---|---|
| Audit services | 579 |
| Non-audit services *(reporting accountant for the listing and interim review)* | 1,021 |

## DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the Company's consolidated financial statements are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged that it is its responsibility to ensure the Company maintains an effective risk management and internal control system to minimize risks in our business activities and to protect the long-term interests of the Group and the Shareholders. During the financial year, a review of the effectiveness of the risk management and internal control system of the Company in respect of the Group's financial, operational and compliance controls had been conducted through the effort of the Board, the Audit Committee and the Management. The Company has established internal audit function. The Board acknowledged that adequate internal control system was implemented to ensure the effectiveness functioning of financial, operational and compliance controls.

## COMPANY SECRETARY

**Ms. Cheuk Tat Yee** was appointed as company secretary of the Company on 12 May 2016. During the Year, Ms. Cheuk has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews it regularly to ensure its effectiveness. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements,interim and annual financial reports, and/or circulars as required under the Listing rules and (iii) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at cwl.com.

Shareholders and investors are welcome to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the "Corporate Information" of this annual report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Company's articles and the Listing Rules and Shareholders are encouraged to attend and participate in general meetings. The Chairman of the Board and the chairperson/chairman of the Board committees, or their delegates and the external auditors will attend the upcoming annual general meeting to answer any questions from shareholders. Notice of the AGM, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 30 days prior to the date of the meeting.

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene extraordinary general meetings

Pursuant to Article 64 of the Articles, one or more shareholder(s) holding not less than 10% 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 of directors or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai for the attention of the Board of Directors/Company Secretary or via email to wealthyway@cwl.com.

## Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai or via email to wealthyway@cwl.com not less than seven days prior to the date of the general meeting.

## Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address: Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai, for the attention of the Board of Directors/Company Secretary

Email: wealthyway@cwl.com

## Constitutional Documents

The amended and restated memorandum and articles of association of the Company (the "Amended and Restated M&A") was adopted on 20 July 2017 and took effect from the Listing Date 21 July 2017. A copy of the Amended and Restated M&A is available on both the websites of the Company at cwl.com and the Stock Exchange at www.hkexnews.hk.

The Directors of the Company hereby presents the first annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of financial leasing, factoring and advisory services in the PRC.

## FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report. The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2017.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements, are set out on page 88. This summary does not form part of the audited consolidated financial statements.

## INITIAL PUBLIC OFFERING

The Company completed the placing and public offer and the shares were first listed on the Stock Exchange on 21 July 2017. Net proceed from the placing and public offer was approximately HK$172.5 million (after deducting all listing related expenses specifically to the issue of new shares in the listing and expenses relating generally to the listing of all the shares of the Company). Please refer to the "Management Discussion and Analysis" section in this annual report for more details of the use of proceeds as at 31 December 2017.

## CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group's five largest customers accounted for approximately 53.7% (2016: approximately 49.8%) of the Group's total revenue and the largest customer accounted for approximately 43.8% (2016: approximately 22.6%) of total revenue.

Due to the nature of the business, the Group does not have any significant contribution from major suppliers during the normal course of business. However, the Group relied substantially on interest-bearing bank loans to operate business and has established strong relationships with various national and local commercial banks.

For the year ended 31 December 2017, to the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the Shareholders of the Company who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

## MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 33 to the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Movements in equipment are set out in note 14 to the consolidated financial statements.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2017 are set out in note 23 to the consolidated financial statements.

## 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 year ended 31 December 2017.

## RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves and distributable reserves of the Company during the year ended 31 December 2017 are set out in note 27(c) to the consolidated financial statements. As at 31 December 2017, details of movements in the reserves and distributable reserves of the Group is set out in the consolidated statement of changes in equity on page 40.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2017 are set out in note 25 to the consolidated financial statements.

## CHARITABLE DONATION

The Group made charitable donations of approximately RMB0.87 million during the year ended 31 December 2017.

## DIRECTORS AND SERVICE CONTRACTS

The Directors since the completion date of global offering and up to the date of this report were:

### Executive Directors

Mr. LO Wai Ho
Ms. CHAN Shuk Kwan, Winnie

### Non-Executive Director

Mr. XIE Weiquan

### Independent Non-Executive Directors

Mr. Ha Tak Kong
Mr. Ip Chi Wai
Ms. Hung Siu Woon, Pauline

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the 2017 AGM.

The Company has received, from each of the Independent Non-Executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2017 are set out in note 10 to the consolidated financial statements.

The remuneration of the Directors is subject to Shareholders' approval at general meetings. No Directors, or any of their respective associates, was involved in deciding his/her own remuneration for the year ended 31 December 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2017.

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

| | **2017** | 2016 |
|---|---|---|
| Nil to HK$1,000,000 (approximately RMB800,000) | **1** | 1 |

No Director and Senior management has waived or has agreed to waive any emoluments during the year ended 31 December 2017.

## SERVICE CONTRACTS WITH DIRECTORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that cannot be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests or short positions in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (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 entered into the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange; were as follows:

### Long positions in shares ("Shares")/underlying Shares of the Company

| Name of Director | Nature of interest | Number of shares directly and beneficially held | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. Lo Wai Ho (Note 1) | Interest of controlled corporation | 108,000,000 | 75% |

Note:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 108,000,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in shares ("Shares")/underlying Shares of the Company

| Name of substantial shareholders | Capacity/nature of Interest | Number of Shares/ underlying Shares | Approximate percentage of the issued share (%) |
|---|---|---|---|
| Wealthy Rise Investment Limited | Beneficial owner | 108,000,000 | 75% |
| Mr. Lo Wai Ho (Note 1) | Interest in a controlled corporation | 108,000,000 | 75% |
| Ms. Lin Yihong (Note 2) | Interest of spouse | 108,000,000 | 75% |

Notes:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 108,000,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

(2) Ms. Lin Yihong is the spouse of Mr. Lo Wai Ho. Under the SFO, Ms. Lin Yihong is deemed to be interested in the same number of Shares in which Mr. Lo Wai Ho is interested.

## RELATED PARTY TRANSACTIONS

The Directors confirm that the Group's related party transactions as set out in note 29 to the consolidated financial statements were continuing connected transactions, which were exempt from all disclosure requirements, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2017.

## SHARE OPTION SCHEME

On 19 July 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme").

## Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("the Eligible Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

## Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Directors may, in its absolute discretion make offer to any Eligible Participant. An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the date of offer or within such other period of time as may be determined by the Board pursuant to the Listing Rules.

Any offer may be accepted or deemed to have been accepted by an Eligible Participant in respect of less than the total number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

## Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as stated in the daily quotations sheet issued by the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

## Maximum number of Shares

The maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not in aggregate exceed 10 per cent of the issued share capital of the Company at the Listing Date. On the basis of a total of 144,000,000 Shares in issue as at the Listing Date, the relevant limit will be 14,400,000 Shares which represent 10 per cent of the issued Shares at the Listing Date.

The Company may seek approval of the Shareholders in general meeting to renew the 10 per cent limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10 per cent of the issued share capital of the Company at the date of approval of renewing such limit.

### Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than ten years from the date of grant.

### Present status of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine.

As at the Latest Practicable Date, there were no options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme. The Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue, being 14,400,000 Shares in total.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group has been in force throughout the year under review.

The Group has arranged for appropriate directors' and officers' liability insurance coverage providing indemnity against liabilities, including liability in respect of legal actions against the Directors and officers of the Group, thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

## EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year ended 31 December 2017

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2017 and up to the date of this annual report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or the Group after 31 December 2017 and up to the date of this annual report.

## MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2017, to the best information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

## RISK MANAGEMENT

The Group's business operations are conducted in the PRC for the PRC financial leasing market. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC. Being a financial leasing service provider, the Group has implemented a risk management system to mitigate the risks in daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are risk management department, business development department, and accounting and finance department. Each potential opportunity is assessed by the business development department on customer's background, credit records, financials and the underlying assets. The risk management department reviews all given information and thoroughly considers relevant risk factors. Where necessary, external legal advisors are engaged to review the legal issues in the project. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitor financial leasing receivables. The Directors take both macro and micro economic conditions into account before making business decisions. Despite the recent slow-down of the PRC economy in general, the Group has been able to continue to increase revenues and financial leasing receivables during the year ended 31 December 2017. The Group will continue to improve risk management capabilities. The Group would further streamline process workflow to enhance customer selection process, including credit assessment and approval procedures. In addition, the Group intends to upgrade information technology system, to more closely monitor each of the customers' financial and operational status. Finally, the Group will continue to expand risk management team to cater for expanding business operations.

## CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Exchange on 21 July 2017. The actual net proceeds from the placing and public offer of the 36,000,000 new shares of the Company (the "Share Offer") were approximately HK$172.5 million (equivalent to RMB148.1 million). The Group intended to use the net proceeds from the Share Offer to achieve future plans mainly in the following manner: (i) 70%, or approximately HK$120.8 million (equivalent to RMB103.7 million), to be applied towards expanding current financial leasing operation; (ii) 20%, or approximately HK$34.5 million (equivalent to RMB29.6 million) to be applied towards developing new financial leasing related factoring business; and (iii) the remaining balance of 10%, or approximately HK$17.2 million (equivalent to RMB14.8 million), to be used as the Group's general working capital.

As at 31 December 2017, the Company has utilised the net proceeds of approximately HK$172.5 million raised from the Share Offer in accordance with the intended use of proceeds set out in the Company's prospectus.

## CORPORATE GOVERNANCE

The principal corporate govern governance practices as adopted by the Company are set out in the "Corporate Governance Report" on pages 16 to 22 of this annual report.

## AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of the Group..

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the consolidated annual results of the Group for the year ended 31 December 2017.

## AUDITOR

The financial statements have been audited by Moore Stephens CPA Limited who has remained as the Company's auditor for each of the preceeding three year since the Listing Date and will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

# Independent Auditor's Report

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

To the Shareholders of
**Wealthy Way Group Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Wealthy Way Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 87, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of 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 2017, 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 disclosure requirements of 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") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2017. 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.

**Recoverability of loan and account receivables (please refer to Note 17 to the consolidated financial statements)**

The Group had loan and account receivables with the aggregate carrying amount of approximately RMB1,147,340,000 (2016: RMB584,504,000) as at 31 December 2017.

For the purpose of determining the allowance for the loan and account receivables, the management of the Company considered the creditworthiness, credit history including default or delay in payments, repayment settlement records, subsequent settlements, ageing analysis, and also the adequacy of the relevant deposits received and pledged assets. During the year ended 31 December 2017, no impairment was recognised in profit or loss.

We have identified the management's impairment assessments of the recoverability of loan and account receivables as a key audit matter because the carrying amount of the loan and account receivables as at 31 December 2017 was significant and the impairment assessment of these balances required significant management judgement and involved high level of uncertainty.

Our key procedures in relation to management's assessment of the recoverability of the loan and account receivables included:

— We obtained an understanding of, and assessed, the design, implementation and operating effectiveness of the key internal management controls over deal acceptance, invoicing, credit management and credit reviews, including impairment assessment procedures;

— We obtained an understanding of management's impairment assessment in respect of the Group's loans and account receivables by discussing with management their processes and policies and procedures for identifying receivable balances for which impairment may be required;

— We challenged management's judgement in determining the recoverable amounts of individually significant receivable balances. This included obtaining an ageing analysis of overdue balances, obtaining the fair values of pledged assets, checking the repayment records and subsequent settlements, assessing the financial condition of the counterparties by reviewing the latest available financial information and performing news search to identify any disputes with the customers, if available; and

— We checked the reasonableness and relevance of information included in the impairment assessment of loan and account receivables, on a sampling basis.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2017 other than the consolidated financial statements and our auditor's report thereon (the "Other Information").

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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITY 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 judgment 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 of the Company.

— 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the 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.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Hung, Wan Fong Joanne**
Practising Certificate Number: P05419

Hong Kong, 26 March 2018

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Revenue** | 7 | **96,587** | 71,243 |
| Other income | 7 | **1,673** | 38 |
| Employee benefit expenses | | **(7,384)** | (5,326) |
| Depreciation | 14 | **(496)** | (786) |
| Operating lease expense | | **(913)** | (633) |
| Other operating expenses | | **(5,976)** | (5,200) |
| Listing expense | | **(8,999)** | (4,486) |
| Share of loss of an associate | 15 | **—** | (1) |
| Gain on disposal of an associate | | **—** | 2 |
| Finance cost | 8 | **(34,758)** | (12,636) |
| **Profit before income tax** | 9 | **39,734** | 42,215 |
| Income tax expense | 11 | **(13,346)** | (12,655) |
| **Profit for the year attributable to the owners of the Company** | | **26,388** | 29,560 |
| Other comprehensive expense | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translating foreign operation | | **(3,722)** | (300) |
| **Other comprehensive expense for the year attributable to the owners of the Company** | | **(3,722)** | (300) |
| **Total comprehensive income for the year attributable to the owners of the Company** | | **22,666** | 29,260 |
| **Earnings per share** | | | |
| Basic and diluted (RMB) | 13 | **0.21** | 0.27 |

# Consolidated Statement of Financial Position

As at 31 December 2017

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **1,579** | 1,234 |
| Loan and account receivables | 17 | **699,464** | 344,929 |
| | | **701,043** | 346,163 |
| **Current assets** | | | |
| Loan and account receivables | 17 | **447,876** | 239,575 |
| Prepayments, deposits and other receivables | 16 | **2,703** | 2,931 |
| Cash and cash equivalents | 19 | **55,973** | 107,365 |
| | | **506,552** | 349,871 |
| **Current liabilities** | | | |
| Deposits from financial leasing customers | 20 | **200** | 700 |
| Due to related parties | 18 | **1,646** | 3,900 |
| Due to ultimate holding company | 18 | **4,327** | 4,653 |
| Accruals and other payables | 21 | **2,872** | 2,657 |
| Deferred income | 22 | **684** | 2,086 |
| Bank borrowings — secured | 23 | **117,569** | 98,710 |
| Tax payable | | **8,302** | 9,293 |
| | | **135,600** | 121,999 |
| **Net current assets** | | **370,952** | 227,872 |
| **Total assets less current liabilities** | | **1,071,995** | 574,035 |
| **Non-current liabilities** | | | |
| Deposits from financial leasing customers | 20 | **34,380** | 14,445 |
| Bank borrowings — secured | 23 | **551,114** | 260,726 |
| | | **585,494** | 275,171 |
| **Net assets** | | **486,501** | 298,864 |

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 25 | **1,248** | —* |
| Reserves | 26 | **485,253** | 298,864 |
| **Total equity** | | **486,501** | 298,864 |

* Amount less than RMB1,000

The consolidated financial statements on pages 37 to 87 were approved and authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by

**Lo Wai Ho**
*Executive Director*

**Xie Weiquan**
*Non-executive Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

| | Share capital RMB'000 (Note 25) | Share premium# RMB'000 (Note 26(i)) | Exchange reserve# RMB'000 (Note 26(ii)) | Other reserve# RMB'000 (Note 26(iii)) | Statutory surplus reserve# RMB'000 (Note 26(iv)) | Retained profits# RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2016** | —* | — | (194) | 213,000 | 5,567 | 45,831 | 264,204 |
| Comprehensive income: | | | | | | | |
| Profit for the year | — | — | — | — | — | 29,560 | 29,560 |
| Other comprehensive expense: | | | | | | | |
| Exchange differences arising on translating foreign operations | — | — | (300) | — | — | — | (300) |
| Total comprehensive income for the year | — | — | (300) | — | — | 29,560 | 29,260 |
| Transaction with the owners of the Company: | | | | | | | |
| Issue of shares arising from reorganisation | —* | — | — | — | — | — | —* |
| Capitalisation of advance from ultimate holding company | — | — | — | 5,400 | — | — | 5,400 |
| | —* | — | — | 5,400 | — | — | 5,400 |
| Transferred to statutory surplus reserve | — | — | — | — | 3,642 | (3,642) | — |
| **At 31 December 2016** | —* | — | (494) | 218,400 | 9,209 | 71,749 | 298,864 |
| **At 1 January 2017** | **—*** | **—** | **(494)** | **218,400** | **9,209** | **71,749** | **298,864** |
| Comprehensive income: | | | | | | | |
| Profit for the year | **—** | **—** | **—** | **—** | **—** | **26,388** | **26,388** |
| Other comprehensive expense: | | | | | | | |
| Exchange differences arising on translating foreign operations | **—** | **—** | **(3,722)** | **—** | **—** | **—** | **(3,722)** |
| Total comprehensive income for the year | **—** | **—** | **(3,722)** | **—** | **—** | **26,388** | **22,666** |
| Transactions with the owners of the Company: | | | | | | | |
| Issue of shares upon share offer (Note 25(d)) | **312** | **173,142** | **—** | **—** | **—** | **—** | **173,454** |
| Capitalisation issue of shares (Note 25(e)) | **936** | **(936)** | **—** | **—** | **—** | **—** | **—** |
| Expenses incurred in connection with issue of new shares | **—** | **(8,483)** | **—** | **—** | **—** | **—** | **(8,483)** |
| | **1,248** | **163,723** | **—** | **—** | **—** | **—** | **164,971** |
| Transferred to statutory surplus reserve | **—** | **—** | **—** | **—** | **3,955** | **(3,955)** | **—** |
| **At 31 December 2017** | **1,248** | **163,723** | **(4,216)** | **218,400** | **13,164** | **94,182** | **486,501** |

* Amount less than RMB1,000

# These reserves accounts comprise the consolidated reserves of approximately RMB485,253,000 (2016: RMB298,864,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **39,734** | 42,215 |
| Adjustments for: | | | |
| Bank interest income | 7 | **(1,346)** | (35) |
| Interest expense | 8 | **34,758** | 12,636 |
| Depreciation | | **496** | 786 |
| Share of loss of an associate | 15 | **–** | 1 |
| Gain on disposal of an associate | | **–** | (2) |
| **Operating profit before working capital changes** | | **73,642** | 55,601 |
| (Increase)/Decrease in loan and account receivables | | **(562,836)** | 32,898 |
| Increase in prepayments, deposits and other receivables | | **(89)** | (324) |
| Increase in accruals and other payables | | **251** | 385 |
| Decrease in deferred income | | **(1,402)** | (1,068) |
| Increase in deposits from financial leasing customers | | **19,435** | 11,005 |
| **Cash (used in)/generated from operations** | | **(470,999)** | 98,497 |
| Income tax paid | | **(14,337)** | (15,154) |
| **Net cash (used in)/generated from operating activities** | | **(485,336)** | 83,343 |
| **Cash flows from investing activities** | | | |
| Interest received from bank deposits | | **1,346** | 35 |
| Purchase of property, plant and equipment | 14 | **(839)** | (37) |
| Proceeds on disposal of an associate | 15 | **–** | 3,282 |
| **Net cash generated from investing activities** | | **507** | 3,280 |

## Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Interest paid on bank loans | **(34,758)** | (12,636) |
| Proceeds from bank loans | **450,000** | 100,000 |
| Repayment of bank loans | **(140,753)** | (73,708) |
| Repayment to related parties | **(2,070)** | (352) |
| Repayment to ultimate holding company | **—** | (2,487) |
| Capital contributions from the ultimate holding company | **—** | 5,400 |
| Payment of listing expenses | **(8,483)** | — |
| Proceeds from issuance of shares upon share offer | **173,454** | — |
| **Net cash generated from financing activities** | **437,390** | 16,217 |
| **Net (decrease)/increase in cash and cash equivalents** | **(47,439)** | 102,840 |
| **Cash and cash equivalents at beginning of the year** | **107,365** | 4,771 |
| **Effect of foreign exchange rate changes** | **(3,953)** | (246) |
| **Cash and cash equivalents at end of the year** | **55,973** | 107,365 |
| **Analysis of cash and cash equivalents** | | |
| Bank balances and cash in hand | **55,973** | 107,365 |

## 1. CORPORATE INFORMATION

Wealthy Way Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Exchange") (the "Listing") by way of placing and public offer of shares (the "Share Offer") on 21 July 2017. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business has been changed from Room 02, 8/F., Kam Chung Building, 52-28 Jaffe Road, Wanchai, Hong Kong to Room 02, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 1 August 2017.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing, factoring and advisory services in the People ' s Republic of China ("PRC"). In the opinion of the directors of the Company, the ultimate holding company of the Group is Wealthy Rise Investment Limited ("Wealthy Rise"), a company incorporated in the British Virgin Island ("BVI") which is wholly owned by Mr. Lo Wai Ho ("Mr. Lo").

## 2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

### (a) Reorganisation

The companies comprising the Group underwent a reorganisation (the "Reorganisation") in preparation for the Listing pursuant to which the Company became the holding company of the Group. The details of the Reorganisation are set out in the prospectus issued by the Company dated 28 June 2017.

The Company became the holding company of the companies now comprising the Group upon the completion of the Reorganisation. The Group is regarded as a continuing entity resulting from the Reorganisation since the insertions of certain new holding companies at the top of Wealthy Way Holdings Limited have no commercial substance and do not form a business combination. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2017 and 2016 include the financial performance and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the reporting period, or since their respective dates of establishment, incorporation or acquisition, where applicable. The consolidated statement of financial position of the Group as at 31 December 2017 and 2016 have been prepared to present the financial position of all companies now comprising the Group as if the current group structure had been in existence as at the respective dates of establishment, incorporation or acquisition, where applicable.

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of Reorganisation.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

## 2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION (Continued)

### (b) Basis of preparation and presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Exchange ("Main Board Listing Rules").

The consolidated financial statements have been prepared on historical cost basis and presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 "Significant accounting judgements and estimates".

## 3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2017:

(i) *Amendments to HKAS 7 Disclosure Initiative*

(ii) *Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised losses*

(iii) *Annual Improvements to HKFRSs 2014–2016 Cycle Amendments to a number of HKFRSs*

The application of the above amendments has not had any material impact on the consolidated financial statements except for the following:

### Amendments to HKAS 7 Disclosure Initiative

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in Note 34 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material impact on the consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

The Group has not early applied any of the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 and amendments to HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
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| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or joint Venture[4] |
| Amendments to HKAS 40 | Transfer of Investment Property[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[2] |
| HK(IFRIC) Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC) Interpretation 23 | Uncertainty over Income Tax Treatments[2] |

1 Effective for annual periods on or after 1 January 2018
2 Effective for annual periods on or after 1 January 2019
3 Effective for annual periods on or after 1 January 2021
4 Effective date not yet determined*
* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

### HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 9 Financial Instruments (Continued)

With regards to the classification and measurement of financial assets, financial assets that are within the scope of HKFRS 9 are subsequently measured at either amortised cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. All other financial assets are measured at fair value at the end of each of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instrument financial assets and equity investments are measured at their fair value at the end of subsequent accounting periods with changes in fair value recognized in profit or loss, except that the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is neither held for trading nor being contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and the cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regards to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. This differs from the accounting treatment under HKAS 39, whereby the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognised in profit or loss.

With regards to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to the incurred credit loss model required under HKAS 39. In general, the adoption of the expected credit loss model will require the Group to assess at each reporting date whether there is a significant increase in credit risk of its financial assets since initial recognition and to recognise loss allowance equal to the lifetime or 12-month expected credit losses depending on whether or not there is a significant increase in credit risk.

With regards to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. HKFRS 9 will provide greater flexibility as to the types of transactions eligible for hedge accounting, specifically by broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 December 2018.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest' test.

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

### HKFRS 9 Financial Instruments (Continued)

HKFRS 9 requires the Group to recognise and measure either a 12-month expected loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, the management of the Group does not expect the adoption of HKFRS 9 will have a significant impact on the Group's overall financial performance and financial position upon initial adoption, other the earlier recognition of credit losses. The Group will perform a more detailed analysis which considers all reasonable and supportable information including forward-looking elements, for estimation of expected credit losses on its loan and account receivables upon the adoption of HKFRS 9.

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group will recognise revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 contains a number of transitional provisions as well as practical expedients to help preparers so through the transition. Please refer to HKFRS 15 for details.

## 3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

The management of the Group expects that the adoption of HKFRS 15 is likely to have impact on the Group's result and it may affect related disclosures made in the Group's consolidated financial statements. Especially, the Group currently recognises advisory service income over time by reference to the stage of completion of the contract activity in accordance with the requirements in HKAS 18, Revenue. Under HKFRS 15 revenue is recognised over time only if specific criteria are met otherwise revenue is recognised at a point in time which may not be until completion.

### HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

The total operating lease commitments of the Group in respect of leased premises as at each of reporting dates are set out in Note 28. The Group anticipates that under HKFRS 16, it may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-to-use asset will be recognised in the profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The results of subsidiaries are attributed to the owners of the Company.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

### 4.2 Investments in subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

### 4.3 Associates

An associate is an entity in which the Group has significant influence, which is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

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

### 4.3 Associates (Continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method, less any impairment losses, unless it is classified as held for sale. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its investment in the associate, the Group's interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interest that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associate.

Upon the loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 4.4 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

# 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 4.4 Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

## 4.5 Property, plant and equipment

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are derecognised and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss.

Depreciation is calculated using the straight-line method to allocate their costs to their residual value over the estimated economic useful life of the individual assets, as follows:

| | |
|---|---|
| Leasehold improvements | The shorter of the lease terms and 5 years |
| Furniture and office equipment | 5 to 10 years |
| Motor vehicles | 5 to 10 years |

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 4.6 Leasing

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

### The Group as lessor

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

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

### 4.6 Leasing (Continued)

#### The Group as lessee

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

### 4.7 Equity instruments

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

### 4.8 Employee benefits

#### (i) Short-term employee benefits and contributions to defined contribution retirement plans

The short-term employee benefits are assured in the year in which the associated services are rendered by employees.

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

#### (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

#### (iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

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

### 4.9 Financial assets

The Group's financial assets are mainly loans and receivables.

Management determines the classification of these financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest. The effective interest amortisation is included in other income and gains in profit or loss. The loss arising from impairment of loan and account receivables are recognised under finance cost and other expenses in profit or loss respectively.

#### Impairment loss on financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

### 4.9 Financial assets (Continued)

#### Impairment loss on financial assets (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

### 4.10 Financial liabilities

Management determines the classification of its financial liabilities at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include deposits from financial leasing customers, amounts due to related parties and ultimate holding company, accruals and other payables and bank borrowings.

After initial recognition, the financial liabilities are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance costs in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

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

### 4.10 Financial liabilities (Continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 4.11 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash and bank balances and demand deposits, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

### 4.12 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### 4.13 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

### 4.13 Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carried forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### 4.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, as follows:

Interest income from financial leasing is recognised in the consolidated statement of comprehensive income using the effective interest rate implicit in the lease over the term of the lease, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from provision of from financial advisory services are recognised when the services are rendered.

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

### 4.14 Revenue recognition (Continued)

Advisory services income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Interest income from bank deposits or factoring loan are accrued on a time apportionment basis using the effective interest method.

### 4.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 4.16 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$"). The consolidated financial statements is presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rate over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

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

### 4.17 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### (i) Stage of completion of advisory services

Revenue from advisory service contracts is recognised according to the percentage of completion of individual contract. The percentage of completion is calculated by comparing the service rendered by the Group to total contracted amount. In order to ensure that the percentage of completion of advisory service contracts is accurate and up-to-date, the management frequently reviews and estimates the progress of the services rendered by the Group.

### (ii) Recognition of factoring agreement

The management made judgement in considering if the Group acts as a principal from the accounting perspective, and hence recognises the gross revenue and the related direct costs, with reference to all relevant facts and circumstances of service arrangements. In some cases, the Group does not have any ownership and rights to the account receivables, and the Group does not bear any credit risks of not collecting the related accounts receivables. After taking into consideration of these factors, the management considers that the Group is not exposed to any significant risk and reward associated with the factoring agreement and it has only fulfilled the features that acting an agent in the finance lease and factoring arrangement from the accounting perspective, the net income generated from such arrangement, if any, will be recognised after offsetting the relevant finance cost.

### (iii) Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the credit history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

## 6. SEGMENT INFORMATION

HKFRS 8, Operating Segments, required identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker of the Group, being the executive directors of the Company, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of financial leasing, factoring and advisory services to corporate customers. As this is the only operating segment of the Group, no further analysis for segment information is presented.

### Geographical information

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.

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from the PRC. The total revenue is disclosed in Note 7.

### Information about major customers

Revenue from external customers contributed to 10% or more of the Group's revenue is as follows:

One (2016: one) customer contributed to 10% or more of the Group's revenue for the year ended 31 December 2017. Revenue earned from this customer amounted to approximately RMB42,275,000 for the year ended 31 December 2017 (2016: RMB16,082,000).

Other than as disclosed above, no other revenue from a single customer of the Group accounted for 10% or more of total revenue of the Group for the year presented.

## 7. REVENUE AND OTHER INCOME

Revenue represents income received and receivable from the provision of financial leasing, factoring and advisory services in the PRC.

## 7. REVENUE AND OTHER INCOME (Continued)

An analysis of the Group's revenue and other income is as follows:

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| **Revenue** | | |
| Interest income from financial leasing | **56,978** | 41,520 |
| Interest income from factoring | **9,438** | 1,425 |
| Advisory services income | | |
| — Financial leasing advisory services income | **26,986** | 21,693 |
| — Other financial advisory service income | **3,185** | 6,605 |
| | **30,171** | 28,298 |
| | **96,587** | 71,243 |
| **Other income** | | |
| Bank interest income | **1,346** | 35 |
| Sundry income | **327** | 3 |
| | **1,673** | 38 |

## 8. FINANCE COST

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Interest on bank borrowings | **34,758** | 12,636 |

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Auditor's remuneration | | |
| — Audit services | 579 | 43 |
| — Non-audit services (Note) | 1,021 | — |
| | 1,600 | 43 |
| Employee benefit expenses (including directors' remuneration (Note 10)) | | |
| — Salaries, allowances and benefits in kind | 6,451 | 4,466 |
| — Retirement benefit scheme contributions | 933 | 860 |
| | 7,384 | 5,326 |
| Foreign exchange difference, net | 278 | — |

Note: Non-audit services represent (i) the services provided by the Company's auditor for acting as the reporting accountants of the company for the Listing and (ii) the review services provided relating to interim results for the six months ended 30 June 2017.

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

### (a) Directors and chief executive emoluments

Details of emoluments paid and payable by the entities comprising the Group to the directors of the Company (including emoluments for his/her services as the employees/directors of the group entities prior to becoming the directors of the Company) during the year are as follows:

| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Retirement benefit scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| *Executive directors* | | | | |
| Mr. Lo | **521** | **–** | **16** | **537** |
| Ms. Chan Shuk Kwan, Winnie ("Ms. Chan") | **521** | **–** | **16** | **537** |
| *Non-executive director* | | | | |
| Mr. Xie Weiquan ("Mr. Xie") | **104** | **114** | **17** | **235** |
| *Independent non-executive directors* | | | | |
| Mr. Ha Tak Kong ("Mr. Ha") | **55** | **–** | **–** | **55** |
| Mr. Ip Chi Wai ("Mr. Yip") | **55** | **–** | **–** | **55** |
| Ms. Hung Siu Woon Pauline ("Ms. Hung") | **55** | **–** | **–** | **55** |
| | **1,311** | **114** | **49** | **1,474** |
| **Year ended 31 December 2016** | | | | |
| *Executive directors* | | | | |
| Mr. Lo | 393 | – | 10 | 403 |
| Ms. Chan | 327 | – | 10 | 337 |
| *Non-executive director* | | | | |
| Mr. Xie | 69 | 94 | 19 | 182 |
| | 789 | 94 | 39 | 922 |

Mr. Lo, one of the executive directors of the Company, is also the chairman and the chief executive officer of the Group.

Ms. Chan and Mr. Xie were appointed as executive director and non-executive director of the Company on 12 May 2016.

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

### (a) Directors and chief executive emoluments (Continued)

Mr. Ha, Mr. Yip and Ms. Hung were appointed as independent non-executive directors of the Company on 19 June 2017.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group and the non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2017 (2016: Nil).

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2016: two) were directors. The emolument of the remaining three (2016: three) non-director individuals, in the salary band of Nil to HK$1,000,000 (approximately RMB800,000), was as follows:

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **856** | 761 |
| Retirement benefit scheme contributions | **213** | 108 |
| | **1,069** | 869 |

During the year no emolument was paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). During the year ended 31 December 2017, no arrangement under which Directors waived or agreed to waive any emoluments (2016: Nil).

### (c) Senior management's emoluments

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following bands is as follows:

| | **2017** | 2016 |
|---|---|---|
| Nil to HK$1,000,000 (approximately RMB800,000) | **1** | 1 |

## 11. INCOME TAX EXPENSE

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| The charge comprises: | | |
| Current tax — PRC | **13,346** | 12,655 |

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2017 (2016: Nil).

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% (2016: 25%) on the estimated assessable profits for the year ended 31 December 2017.

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

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Profit before income tax | **39,734** | 42,215 |
| Tax calculated at the rates applicable to the tax jurisdiction concerned | **10,999** | 11,195 |
| Tax effect of non-taxable income | **(29)** | — |
| Tax effect of non-deductible expenses | **2,376** | 1,460 |
| Income tax expense | **13,346** | 12,655 |

## 12. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2017 (2016: Nil). The directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

## 13. EARNINGS PER SHARE

| | 2017 | 2016 |
|---|---|---|
| **Earnings:** | | |
| Profit for the year attributable to the owners of the Company (RMB'000) | **26,388** | 29,560 |
| **Number of shares:** | | |
| Weighted average number of ordinary shares (in thousand) | **124,175** | 108,000 |

The number of shares used for the purpose of calculating basic earnings per share has been retrospectively adjusted for the issue of shares during the Reorganisation and the capitalisation issue of shares (Note 25(e)) as if the issuance of shares had occurred on 1 January 2016.

Diluted earnings per share amount was the same as the basic earnings per share as there were no potential ordinary shares outstanding during the year ended 31 December 2017 (2016 : No potential ordinary shares).

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements RMB'000 | Furniture and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Year ended 31 December 2016 | | | | |
| Opening net carrying amount | 810 | 72 | 1,095 | 1,977 |
| Additions | — | 37 | — | 37 |
| Depreciation | (540) | (16) | (230) | (786) |
| Exchange realignment | — | — | 6 | 6 |
| Closing net carrying amount | 270 | 93 | 871 | 1,234 |
| At 31 December 2016 and 1 January 2017 | | | | |
| Cost | 2,700 | 406 | 1,633 | 4,739 |
| Accumulated depreciation | (2,430) | (313) | (762) | (3,505) |
| Net carrying amount | 270 | 93 | 871 | 1,234 |

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Leasehold improvement RMB'000 | Furniture and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| Opening net carrying amount | **270** | **93** | **871** | **1,234** |
| Additions | **712** | **127** | **—** | **839** |
| Depreciation | **(332)** | **(25)** | **(139)** | **(496)** |
| Exchange realignment | **4** | **—** | **(2)** | **2** |
| Closing net carrying amount | **654** | **195** | **730** | **1,579** |
| **At 31 December 2017** | | | | |
| Cost | **3,415** | **533** | **1,631** | **5,579** |
| Accumulated depreciation | **(2,761)** | **(338)** | **(901)** | **(4,000)** |
| Net carrying amount | **654** | **195** | **730** | **1,579** |

## 15. INVESTMENT IN AN ASSOCIATE

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Unlisted shares, at cost | **—** | 3,268 |
| Share of net liabilities | **—** | (1) |
| Share of the results of an associate | **—** | (1) |
| Exchange realignment | **—** | 14 |
| Disposal of an associate | **—** | (3,280) |
| | **—** | — |

The Group's associate, 深圳前海永利融資租賃有限公司 ("Yong Li") was incorporated in the PRC as a limited liability company on 25 December 2014. The Group's subsidiary, Wealthy Way International Finance Limited ("CWW Finance") legally and beneficially owned 25% equity interest in Yong Li. As at 31 December 2015, Yong Li has paid-up capital of US$2,000,000, which CWW Finance has contributed US$500,000 (equivalent to approximately RMB3,268,000).

## 15. INVESTMENT IN AN ASSOCIATE (Continued)

Yong Li is a private company and there is no quoted market price available for its shares.

On 12 April 2016, CWW Finance, entered into an agreement with Global Finance Consultancy Limited, an independent third party, pursuant to which CWW Finance has agreed to dispose all of its 25% equity interest in Yong Li at a consideration of HK$3,900,000 (equivalent to approximately RMB3,282,000) (the "Disposal"). The Disposal was completed on 30 May 2016 and the gain on disposal, net of transaction costs, was approximately RMB2,000. The receivable was settled on 26 July 2016.

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Prepayments | **2,268** | 2,612 |
| Deposits | **350** | 139 |
| Other receivables | **85** | 180 |
| | **2,703** | 2,931 |

## 17. LOAN AND ACCOUNT RECEIVABLES

| | Notes | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Financial leasing receivables | (a) | **661,514** | 329,429 |
| Factoring loan receivables | (b) | **37,950** | 15,500 |
| | | **699,464** | 344,929 |
| **Current assets** | | | |
| Financial leasing receivables | (a) | **275,772** | 213,712 |
| Factoring loan receivables | (b) | **172,074** | 25,863 |
| Account receivables | (c) | **30** | — |
| | | **447,876** | 239,575 |
| Total | | **1,147,340** | 584,504 |

## 17. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes:

(a) For financial leasing receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The maturity date for each financial leasing contract is normally not more than 8 years.

The Group's financial leasing receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the finance leases range from 5.4% to 15.3% (2016: 5.1% to 14.9%) per annum as at 31 December 2017.

As at 31 December 2017, the Group's financial leasing receivables of approximately RMB216,204,000 (2016: RMB266,336,000) were carried at fixed-rate and the remaining balances of approximately RMB721,082,000 (2016: RMB276,805,000) were carried at variable-rate.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 | **2017 RMB'000** | 2016 RMB'000 |
| Financial leasing receivables comprise: | | | | |
| Within one year | **324,652** | 246,664 | **275,772** | 213,712 |
| More than one year but not exceeding five years | **710,367** | 271,381 | **651,837** | 242,332 |
| More than five years | **9,733** | 92,093 | **9,677** | 87,097 |
| | **1,044,752** | 610,138 | **937,286** | 543,141 |
| Less: Unearned finance income | **(107,466)** | (66,997) | **—** | — |
| Present value of minimum lease payment | **937,286** | 543,141 | **937,286** | 543,141 |

Financial leasing receivables are mainly secured by the leased assets which are equipment and machinery used in airline, medical, manufacturing, green energy, public utilities and other transportation industries, certain guarantees and customers' deposits as disclosed in Note 20. Additional collateral may be obtained from customers to secure their repayment obligations under financial leasing and such collateral include vehicle licence. At the end of each reporting date, the carrying amounts of each of the categories of financial leasing receivables based on the industries of the lessees are as follows:

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Airline | **667,045** | 290,071 |
| Health care service provider | **27,373** | 77,324 |
| Energy saving equipment provider | **2,299** | 50,527 |
| Public utilities provider | **3,706** | 16,740 |
| Others | | |
| — Logistic service provider | **29,802** | 22,064 |
| — Manufacturing (Note a) | **126,036** | 14,092 |
| — Miscellaneous (Note b) | **81,025** | 72,323 |
| | **937,286** | 543,141 |

## 17. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes:

(a) The lessees which were manufacturers were mainly engaged in the production of electronic components and plastic modules.

(b) Miscellaneous included corporate customers mainly engaged in telecommunication, electronic and carpark operation industries.

For the factoring loan receivables, the credit period granted to each of the customers is generally for a period of 1 year to 2 years. The effective interest rate of the above factoring loan receivables is ranging from 7.7% to 16.3% (2016: 11.2% to 15.0%) per annum as at 31 December 2017.

As at 31 December 2017, the factoring loan receivables were collateralised by the customers' accounts receivables with principal amount of approximately RMB306,810,000 (2016: RMB61,887,000).

(c) For account receivables, it comprises receivables in respect of advisory services. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts and, normally, no credit period is granted to customers.

The directors of the Company consider that the fair values of loan and account receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Based on the maturity date set out in the relevant contracts, ageing analysis of the Group's loan and account receivables as of each reporting date is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 to 30 days | **60,478** | 16,721 |
| 31 to 90 days | **80,951** | 66,135 |
| 91 to 365 days | **306,447** | 156,719 |
| Over 365 days | **699,464** | 344,929 |
| | **1,147,340** | 584,504 |

Ageing analysis of the Group's loan and account receivables, prepared based on due date, that was not impaired is as follows:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **1,133,935** | 584,504 |
| 1 to 90 days past due | **13,405** | — |
| | **1,147,340** | 584,504 |

## 17. LOAN AND ACCOUNT RECEIVABLES (Continued)

Loan and account receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Management reviews and assesses for impairment individually based on customers' payment history and the values of the assets pledged. Loan and account receivables that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality for these customers and the balances are still considered fully recoverable.

On 19 March 2018, the Group entered into certain factoring agreements with certain financial institutions and customers in relation to financial leasing receivables which have been past due as at 31 December 2017. Under the arrangements, the Group assigned the financial leasing receivables to the financial institutions in exchange for payment by the financial institutions for the acquisition of the financial leasing receivables owned by the Group. The customers will settle the outstanding amount directly to the relevant financial institutions upon maturity. The Group has to pay an arrangement fee of RMB5,000 to the financial institutions for the arrangement of such receivables. As a result, the Group is not under any obligation to repay any outstanding amount owed to the financial institutions under the factoring agreement in the event that the customers fail to pay upon maturity. Consequently, such financial leasing receivables are derecognised from the Group's financial leasing receivables balance when the Group is paid in full by the financial institutions.

## 18. DUE TO RELATED PARTIES/ULTIMATE HOLDING COMPANY

The amounts due were unsecured, interest free and repayable on demand.

## 19. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2017, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB25,217,000 (2016: RMB106,812,000) respectively and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

## 20. DEPOSITS FROM FINANCIAL LEASING CUSTOMERS

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Deposits from financial leasing customers | **34,380** | 14,445 |
| **Current liabilities** | | |
| Deposits from financial leasing customers | **200** | 700 |

Customers' deposits are collected and calculated based on a certain percentage of the entire value of lease contract. The deposits are returned to the customers in portion over the lease period or in full by end of lease period according to the terms of lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2017, the customers' deposits of approximately RMB34,580,000 (2016: RMB15,145,000) were received in advance respectively. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that need to be recognised in all years.

## 21. ACCRUALS AND OTHER PAYABLES

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Accruals | **1,949** | 1,975 |
| Other payables | **923** | 682 |
| | **2,872** | 2,657 |

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

## 22. DEFERRED INCOME

Deferred income from the financial leasing business is amortised and recognised as revenue using effective interest method over the lease period.

## 23. BANK BORROWINGS

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Carrying amount repayable*: | | |
| Within one year | **117,569** | 98,710 |
| More than one year, but not exceeding two years | **147,569** | 96,210 |
| More than two years, but not exceeding five years | **393,868** | 116,129 |
| More than five years | **9,677** | 48,387 |
| Bank loans — secured | **668,683** | 359,436 |
| Less: Amount shown under current liabilities | **(117,569)** | (98,710) |
| Amount shown under non-current liabilities | **551,114** | 260,726 |

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

As at 31 December 2017, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (2016: 105% to 110%) of the benchmark rate offered by the People's Bank of China. As at 31 December 2017, the effective interest rates of the Group's secured bank loans were ranging from 4.5% to 5.0% (2016: 4.8% to 5.6%) per annum.

As at 31 December 2017, all of the Group's bank borrowings were secured by charges over certain leased assets and finance lease receivables (2016: all).

The Group's bank borrowings are denominated in RMB which is the functional currency of the relevant group entity.

## 24. DEFERRED TAXATION

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiaries in the PRC amounting to approximately RMB118,477,000 as at 31 December 2017 (2016: RMB83,518,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiaries in the PRC will not distribute any dividend in the foreseeable future.

## 25. SHARE CAPITAL

| | Number of ordinary shares | Amount HK$'000 |
|---|---|---|
| **Ordinary shares of HK$0.01 of each** | | |
| **Authorised:** | | |
| At 1 January 2016 and 31 December 2016 | 39,000,000 | 390 |
| Increase in authorised share capital (note b) | 19,961,000,000 | 199,610 |
| At 31 December 2017 | 20,000,000,000 | 200,000 |

| | Number of ordinary shares | Amount RMB'000 |
|---|---|---|
| **Issued and fully paid:** | | |
| At 1 January 2016 | 1 | —* |
| Issue of shares arising from Reorganisation (note c) | 999 | —* |
| At 31 December 2016 and 1 January 2017 | 1,000 | —* |
| Issue of shares upon Share Offer (note d) | 36,000,000 | 312 |
| Capitalisation issue of shares (note e) | 107,999,000 | 936 |
| At 31 December 2017 | 144,000,000 | 1,248 |

* Amount less than RMB1,000

Notes:

(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 with the authorised share capital of amount of HK$390,000 divided into 39,000,000 ordinary shares of HK$0.01 each, of which one share was allotted and issued at HK$0.01 to the initial subscriber on 10 December 2015, which was subsequently on the same date transferred to Wealthy Rise, the ultimate holding company of the Group which is wholly and beneficially-owned by Mr. Lo, the executive director of the Company.

(b) Pursuant to the written resolutions of the Shareholders passed on 19 June 2017, conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" in the Prospectus, the authorised share capital of the Company was increased from HK$390,000 to HK$200,000,000 by creation of an additional 19,961,000,000 shares to rank pari passu with the existing shares.

(c) On 24 May 2016, Wealthy Rise transferred its entire shareholding interests in China Wealthy Way Group Limited and its subsidiaries to the Company in consideration of the allotment and issue of 999 ordinary shares of the Company of HK$0.01 each, all credited as fully paid.

## 25. SHARE CAPITAL (Continued)

Notes: (Continued)

(d) On 21 July 2017, 36,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$5.56 by way of Share Offer. On the same date, the Company's shares were listed on the Exchange. Out of the proceeds, an amount of HK$360,000 (equivalent to RMB312,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining amount of the proceeds of HK$199,800,000 (equivalent to RMB173,142,000), before issue expenses, were credited to the share premium account.

(e) Pursuant to the written resolutions of the shareholders passed on 19 June 2017, upon the share premium account of the Company being credited as a result of the Share Offer of the Company's shares, the directors of the Company were authorised to capitalise an amount of HK$1,079,000 (equivalent to RMB936,000) standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 107,999,000 shares for allotment and issue to the shareholders of the Company (the "Capitalisation Issue"), all of which shall rank pari passu in all respects with the existing shares. The Capitalisation Issue was completed on 21 July 2017.

## 26. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

### (i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

### (ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

### (iii) Other reserve

Other reserve represents the difference between issued share capital of the Company issued during the Reorganisation, and the aggregate value of the respective share capital/paid-in capital of the companies now comprising the Group and the amount of advances from ultimate holding company capitalised.

### (iv) Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory surplus reserve is not less than 25% of registered capital.

## 27. FINANCIAL INFORMATION OF THE COMPANY

| | Notes | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **735** | — |
| Investments in subsidiaries | (a) | **400,659** | 269,153 |
| | | **401,394** | 269,153 |
| **Current assets** | | | |
| Prepayments and deposits | | **264** | — |
| Due from a director | (b) | **4,521** | — |
| Cash and cash equivalents | | **14,971** | — |
| | | **19,756** | — |
| **Current liabilities** | | | |
| Accruals | | **529** | — |
| Due to ultimate holding company | (b) | **63** | 68 |
| Due to a subsidiary | (b) | **12,566** | 847 |
| | | **13,158** | 915 |
| **Net current assets/(liabilities)** | | **6,598** | (915) |
| **Net assets** | | **407,992** | 268,238 |
| **EQUITY** | | | |
| Share capital | 25 | **1,248** | —* |
| Reserves | (c) | **406,744** | 268,238 |
| **Total equity** | | **407,992** | 268,238 |

* Amount less than RMB1,000

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by

**Lo Wai Ho**
*Executive Director*

**Xie Weiquan**
*Non-executive Director*

## 27. FINANCIAL INFORMATION OF THE COMPANY (Continued)

### (a) Investments in subsidiaries

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Unlisted equity investments (Note 33) | **400,659** | 269,153 |

(b) The balances were unsecured, interest free and repayable on demand.

## 27. FINANCIAL INFORMATION OF THE COMPANY (Continued)

### (c) Reserves

| | Share premium RMB'000 | Exchange reserve RMB'000 | Other reserve (Note) RMB'000 | Accumulated loss RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 January 2016** | — | — | — | (76) | (76) |
| Comprehensive expense: | | | | | |
| Loss for the year | — | — | — | (809) | (809) |
| Other comprehensive expense: | | | | | |
| Exchange differences arising on translation of functional currency | — | (30) | — | — | (30) |
| | — | (30) | — | (809) | (839) |
| Arising from Reorganisation | — | — | 269,153 | — | 269,153 |
| **At 31 December 2016 and 1 January 2017** | — | (30) | 269,153 | (885) | 268,238 |
| Comprehensive expense: | | | | | |
| Loss for the year | — | — | — | (19,080) | (19,080) |
| Other comprehensive income: | | | | | |
| Exchange differences arising on translation of functional currency | — | (6,137) | — | — | (6,137) |
| | — | (6,137) | — | (19,080) | (25,217) |
| Transaction with owners of the Company | | | | | |
| Issue of shares upon Share Offer (note 25(d)) | 173,142 | — | — | — | 173,142 |
| Capitalisation issue of shares (note 25(e)) | (936) | — | — | — | (936) |
| Expenses incurred in connection with issue of shares | (8,483) | — | — | — | (8,483) |
| **At 31 December 2017** | **163,723** | **(6,167)** | **269,153** | **(19,965)** | **406,744** |

Note: Other reserve represents the difference between the net asset value of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the Main Board of the Exchange.

## 28. OPERATING LEASE ARRANGEMENTS

The Group had future minimum rental payments under non-cancellable operating leases of the Group in respect of properties with certain related parties (Note 29) and independent third parties at the reporting period as belows:

| | As at 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Within one year | **993** | 101 |
| Within two to five years | **1,573** | — |
| | **2,566** | 101 |

The group leases certain properties under operating lease. As at 31 December 2017, leases generally run for an initial period of 1 to 3 (2016: 1 to 2) years.

## 29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

### (a) Transactions with related parties

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2017** | 2016 |
| | Notes | **RMB'000** | RMB'000 |
| Rental expense paid to a related company | (i), (ii) | **499** | 514 |
| Building management fee paid to a related company | (i) | **205** | 208 |
| Hospitality expense for functions in the hotel paid to a related company | (i) | **270** | 784 |

Notes:

(i) Mr. Lo's elder brother, Mr. Lu Nuan Pei, is the ultimate controlling party of the related companies.

(ii) Operating lease payments of approximately RMB499,000 (2016: RMB514,000) were paid to a related company of the Group during the year ended 31 December 2017. The operating leases were charged at approximately RMB43,650 (2016: RMB43,650) per month and the lease terms will be expired on 31 March 2019, and no future minimum lease payments under non-cancellable operating lease in respect of such properties (2016: Nil) as at 31 December 2017.

In the opinion of the directors of the Company, the transactions listed in (a) above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business.

## 29. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the members of the board of directors and senior management of the Company. Key management personnel remuneration are as follows:

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Directors' fees | **1,311** | 789 |
| Salaries, allowances and benefits in kind | **1,050** | 960 |
| Retirement benefit scheme contributions | **294** | 151 |
| | **2,655** | 1,900 |

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

| | **As at 31 December** | |
|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 |
| **Financial assets** | | |
| Financial leasing receivables | **937,286** | 543,141 |
| Loans and receivables | | |
| Factoring loan receivables | **210,024** | 41,363 |
| Account receivables | **30** | — |
| Deposits and other receivables | **435** | 319 |
| Cash and cash equivalents | **55,973** | 107,365 |
| | **1,203,748** | 692,188 |
| **Financial liabilities** | | |
| At amortised costs | | |
| Deposits from financial leasing customers | **34,580** | 15,145 |
| Due to related parties | **1,646** | 3,900 |
| Due to ultimate holding company | **4,327** | 4,653 |
| Accruals and other payables | **2,872** | 2,657 |
| Bank borrowings | **668,683** | 359,436 |
| | **712,108** | 385,791 |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate financial leasing receivables, bank balances and bank borrowings (see Notes 17(a), 19 and 23 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate financial leasing receivables and factoring loan receivables, (see Note 17(a) and (b) for details of these financial instruments). The Group does not have a fair value interest rate hedging policy.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate financial leasing receivables, bank balances and bank borrowings.

The sensitivity analysis was determined assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to variable-rate financial instruments at that date. 50 basis points and 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates of financial leasing receivables, bank balances and bank borrowings respectively over the period until the end of next reporting period.

The following tables indicates the approximate change in the profit after income tax in response to reasonably possible changes in interest rates to which the Group has exposure at the end of each reporting period.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Interest rate risk (Continued)

#### Sensitivity analysis (Continued)

(a) If the benchmark interest rates of the variable rate financial leasing receivables at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **RMB'000 +1%** | **RMB'000 –1%** | RMB'000 +1% | RMB'000 –1% |
| Increase/(decrease) in profit for the year and retained profits | **5,408** | **(5,408)** | 2,076 | (2,076) |

(b) If interest rates of bank balances at the end of each reporting period had been 50 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **RMB'000 +0.5%** | **RMB'000 –0.5%** | RMB'000 +0.5% | RMB'000 –0.5% |
| Increase/(decrease) in profit for the year and retained profits | **210** | **(210)** | 402 | (402) |

(c) If the benchmark interest rates of the variable rate bank borrowings at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **RMB'000 +1%** | **RMB'000 –1%** | RMB'000 +1% | RMB'000 –1% |
| (Decrease)/increase in profit for the year and retained profits | **(5,015)** | **5,015** | (2,696) | 2,696 |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The carrying amounts of loan and account receivables, deposits and other receivables, amounts due from related parties and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statements of financial position are net of impairment losses, if any. Accordingly, the Group's exposure to bad debt is not significant. The credit risk on cash and cash equivalents is limited because the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

The Group's exposure under outstanding loan and account receivables were secured by the leased assets, collaterals, certain guarantees and customers' deposits as disclosed in Note 17.

The Group's maximum exposure to credit risk is primarily attributable to loan and account receivables. As at 31 December 2017, 57.5% (2016: 46.6%) and 65.2% (2016: 63.5%) of the total loan and account receivables was due from the Group's largest customer and the five largest customers respectively. The directors of the Company considered the credit risk from this concentration was not significant as these counterparties were sizable companies with sound financial position and all their outstanding balances were secured by the leased assets. The Group has endeavoured to develop new customers to diversify and strengthen the customers base to reduce the concentration of credit risk. In order to minimise the credit risk, the Group has closely monitored the recoverability of the advances to these counterparties, including ensuring that adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following tables details the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 31 December 2017** | | | | | | | |
| **Financial assets** | | | | | | | |
| Loan and account receivables | **14,507** | **146,422** | **352,558** | **749,267** | **9,733** | **1,272,487** | **1,147,340** |
| Deposits and other receivables | **435** | **–** | **–** | **–** | **–** | **435** | **435** |
| Cash and cash equivalents | **55,973** | **–** | **–** | **–** | **–** | **55,973** | **55,973** |
| Total financial assets | **70,915** | **146,422** | **352,558** | **749,267** | **9,733** | **1,328,895** | **1,203,748** |
| **Financial liabilities** | | | | | | | |
| Deposits from financial leasing customers | **–** | **–** | **200** | **34,380** | **–** | **34,580** | **34,580** |
| Due to related parties | **1,646** | **–** | **–** | **–** | **–** | **1,646** | **1,646** |
| Due to ultimate holding company | **4,327** | **–** | **–** | **–** | **–** | **4,327** | **4,327** |
| Accruals and other payables | **2,872** | **–** | **–** | **–** | **–** | **2,872** | **2,872** |
| Bank borrowings | **–** | **35,841** | **105,548** | **583,031** | **9,796** | **734,216** | **668,683** |
| Total finance liabilities | **8,845** | **35,841** | **105,748** | **617,411** | **9,796** | **777,641** | **712,108** |
| Financial assets over financial liabilities | **62,070** | **110,581** | **246,810** | **131,856** | **(63)** | **551,254** | **491,640** |

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Liquidity risk (Continued)

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2016** | | | | | | | |
| **Financial assets** | | | | | | | |
| Loan and account receivables | — | 93,329 | 182,749 | 287,796 | 92,093 | 655,967 | 584,504 |
| Deposits and other receivables | 319 | — | — | — | — | 319 | 319 |
| Cash and cash equivalents | 107,365 | — | — | — | — | 107,365 | 107,365 |
| Total financial assets | 107,684 | 93,329 | 182,749 | 287,796 | 92,093 | 763,651 | 692,188 |
| **Financial liabilities** | | | | | | | |
| Deposits from financial leasing customers | — | — | 700 | 1,945 | 12,500 | 15,145 | 15,145 |
| Due to related parties | 3,900 | — | — | — | — | 3,900 | 3,900 |
| Due to ultimate holding company | 4,653 | — | — | — | — | 4,653 | 4,653 |
| Accruals and other payables | 2,657 | — | — | — | — | 2,657 | 2,657 |
| Bank borrowings | — | 30,508 | 91,854 | 248,729 | 50,186 | 421,277 | 359,436 |
| Total finance liabilities | 11,210 | 30,508 | 92,554 | 250,674 | 62,686 | 447,632 | 385,791 |
| Financial assets over financial liabilities | 96,474 | 62,821 | 90,195 | 37,122 | 29,407 | 316,019 | 306,397 |

### Foreign currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

### Fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

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

## 32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings as set out in Note 23, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new borrowings.

## 33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as bellows:

| Name of the company | Place of incorporation/ establishment | Particulars of issued and fully paid-up share capital/registered capital | Attributable equity interest 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| **Directly held** | | | | | |
| Wealthy Way Holdings Limited | BVI | 100 ordinary shares of US$1 each | **100%** | 100% | Investment holding |
| **Indirectly held** | | | | | |
| China Wealthy Way Group Limited (中國富道集團有限公司) | Hong Kong | Ordinary shares of HK$274,579,569 | **100%** | 100% | Investment holding |
| Wealthy Way International Finance Limited (富道國際金融有限公司) | Hong Kong | Ordinary shares of HK$2 | **100%** | 100% | Investment holding |
| Wealthy Way (China) Finance Lease Limited (富道(中國)融資租賃有限公司*) | The PRC | RMB333,330,000 | **100%** | 100% | Provision of financial leasing, factoring and advisory services |
| Shenzhen Wealthy Way Finance Services Limited (深圳市富道金融服务有限公司*) | The PRC | RMB13,000,000 | **100%** | 100% | Provision of financial advisory services |
| 深圳前海富道融資租賃有限公司 ("SZ Leasing") | The PRC | (Note) | **100%** | 100% | Not yet commenced business |

* The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

Note: SZ Leasing is a wholly-owned enterprise with an operating period of 30 years commencing from 11 September 2014. SZ Leasing's registered capital amounted to RMB1,000,000. As at 31 December 2017, no registered capital of SZ Leasing has been paid-up and the Group therefore had an outstanding investment commitment of RMB1,000,000 in SZ Leasing (2016: RMB1,000,000).

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCIAL 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 are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities:

| | **Due to related parties** RMB'000 (Note 18) | **Due to ultimate holding company** RMB'000 (Note 18) | **Bank borrowings** RMB'000 (Note 23) | **Total** RMB'000 |
|---|---|---|---|---|
| **At 1 January 2017** | 3,900 | 4,653 | 359,436 | 367,989 |
| **Changes from financing cash flows:** | | | | |
| Repayment to related parties | (2,070) | — | — | (2,070) |
| Proceeds from bank loans | — | — | 450,000 | 450,000 |
| Repayment of bank loans | — | — | (140,753) | (140,753) |
| Interest paid on bank loans | — | — | (34,758) | (34,758) |
| **Other changes:** | | | | |
| Interest expenses (Note 8) | — | — | 34,758 | 34,758 |
| Total change from financing cash flows | (2,070) | — | 309,247 | 307,177 |
| **Exchange adjustments** | (184) | (326) | — | (510) |
| **At 31 December 2017** | **1,646** | **4,327** | **668,683** | **674,656** |

# Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years prepared on the basis set out in the notes below.

## RESULTS

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| Revenue | **96,587** | 71,243 | 53,457 | 35,545 |
| Profit before income tax | **39,734** | 42,215 | 34,297 | 29,353 |
| Income tax expense | **(13,346)** | (12,655) | (9,558) | (7,599) |
| Profit for the year from continuing operations | **26,388** | 29,560 | 24,739 | 21,754 |
| Profit for the year from discontinued operations | **—** | — | — | 336 |
| Profit attributable to the owners of the Company | **26,388** | 29,560 | 24,739 | 22,090 |

## ASSETS AND LIABILITIES

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2017 RMB'000** | 2016 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| Total assets | **1,207,595** | 696,034 | 629,517 | 303,103 |
| Total liabilities | **721,094** | 397,170 | 365,313 | 63,474 |
| | **486,501** | 298,864 | 264,204 | 239,629 |
| Equity attributable to the owners of the Company | **486,501** | 298,864 | 264,204 | 239,629 |