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

2018

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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*
Ms. FOK Chau Tung#

* Resigned on 21 January 2019
# Appointed on 21 January 2019

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

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

Guangdong Huaxing Bank
No. 533, Tian He Street
Tian He District, Guangzhou
Guangdong Province
PRC

KEY DATE

28 May 2019 (Tuesday) to 31 May 2019 (Friday)
(both dates inclusive)
Closure of Register of Members
(for Annual General Meeting)

31 May 2019
Annual General Meeting

6 June 2019 (Thursday) to 10 June 2019 (Monday)
(both dates inclusive)
Closure of Register of Members
(for Final Dividend)

On 28 June 2019 (Friday)
Final Dividend Payment Date

Chairman's Statement

On behalf of the board of directors (the "Board") of Wealthy Way Group, I am pleased to present the annual results of our Group for the year ended 31 December 2018 to our shareholders.

During the year, we continued to maintain our operational standard. To this end, we had made greater efforts and implemented more specific measures, thus securing substantial profitability.

Expanding business scope of our Group. With our relentless effort, we acquired Shenzhen Haosen Credit Joint Stock (Limited) Company (深圳市浩森小額貸款股份有限公司) and established Wealthy Way Information Company Limited (富道資訊有限公司) in 2018. Wealthy Way Commercial Factoring Company Limited (富道商業保理公司) initially commenced its operation. Our Group fully commenced operation in various financial aspects. Taking this as a starting point, we aim to create new sources of profit based on grouping management, and expand our market share.

Adhering to compliance operation. We promoted compliance operation at different levels. We had established compliance guidelines for every employee from top to bottom, aiming to fully raise the awareness of employees of compliance works.

Optimizing corporate governance. Good corporate governance is an importance cornerstone for the sustainable healthy development of a company. We will continue to improve and optimize our corporate governance. In 2018, we optimized our department functions and authorization management, and conducted fruitful exploration on the long-term stability and effectiveness of corporate governance structure, as well as the orderly connection and implementation of corporate governance system at the level of execution.

Striving to long-term sustainable development. We focus on long-term development and sustainable operation. We pay respect to our customers, remain prudent on our projects, maintain friendly relationship with business partners and encourage employees to work hard. Hence, we can gain reasonable returns, while individuals can develop themselves independently.

In 2019, the global and domestic economic trend will be complicated. The basis of the global economic recovery will remain vulnerable. The global economy is facing downward pressure, with slowdown in economic growth. The domestic economy is still in the process of transition from rapid growth to quality development, and the economy will remain stable with fluctuation. However, the strict regulatory environment may be adjusted, enabling legitimate capital investment in the market, thus improving market liquidity. Credit structure will be further improved and investment in the credit market by private companies, small and micro enterprises and green enterprises will be increased. This brings both challenges and opportunities. As always, we are confident about economy outlook and will develop our Company at a steady pace.

I would like to express my gratitude for the efforts and contributions made by all employees for the development of our Company, as well as the strong support of our business partners and customers.

LO Wai Ho
Wealthy Way Group Limited
Chairman and Chief Executive Officer

Hong Kong, 26 March 2019

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is principally engaged in the provision of financial leasing, factoring service and advisory service. In 2018, the Group has also completed a major and connected acquisition and obtained controlling interest of a company in microfinance industry as an expansion in Shenzhen financial market.

Year 2018 was a challenging year in the macro environment in Mainland China. In the first half of 2018, direct pressure has been exerted on financial market in Mainland China by the financial deleverage reform which directly increased the market interest rate in Mainland China. Moreover, the Sino-US trade friction also brought higher market uncertainty which slowed down growth in Mainland China's economy. During the year ended 31 December 2018, the operating results of the Group dropped as most of the Group's customers are SMEs which are less risk resilient to the adverse changes in the market conditions and the economic environment.

The revenue of the Group was mainly derived from financial leasing interest income, factoring service income, the loan facilitation income and advisory services income, accounting for approximately 52.4%, 25.6%, 12.1% and 9.9% of the total revenue of the Group, respectively.

In view of the negative impact on the financial market in China, the Directors took a prudent approach from the perspective of risk control in signing new contracts in financial leasing. While the Directors anticipate a sound and steady growth, the Group's business will continue to grow in the near future as a result of the acquisition of microfinance company, which expands the Group's sales channel and helps allocate the Group's resources in a more efficient and effective manner. Therefore, the Group benefits from the synergy effect of acquisition of the microfinance company by providing not only financial leasing, factoring, and advisory services to its corporate customers, but also small loans to individual customers and other small private companies, thereby broadening the customer base.

Over the years, the Group's financial leasing services and advisory services were targeting potential customers of different sizes in various industries who have financing needs of an alternative source of financing as compare to traditional sources of financing. In 2018, the Group provided financial leasing services and advisory services to customers including airline company, health care service provider and manufacturer. The Directors expect that broadening the customer base, expanding the Group's business to multiple markets and maintaining good relationship with the customers and banks is crucial to maintain the Group's sustainable 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 factoring; (iii) financial leasing advisory services income; and (iv) other financial advisory services income; and (v) loan facilitation service income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded a decrease by approximately 14.1% from approximately RMB96.6 million for the year ended 31 December 2017 to approximately RMB83.0 million for the year ended 31 December 2018. The decrease was mainly due to the drop in new financial leasing contracts entered between the Group and the customers in 2018 as a result of the Sino-US trade friction. For the year ended 31 December 2018, the interest income from financial leasing contributed approximately RMB43.5 million (for the year ended 31 December 2017: approximately RMB57.0 million). The interest income from factoring contributed approximately RMB21.3 million for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB9.4 million). The Group's advisory services mainly include financial leasing advisory services, and other financial advisory services, contributed approximately RMB8.2 million for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB30.2 million). Moreover, the Group expanded to provide loan facilitation service which contributed approximately RMB10.0 million to the revenue for the year ended 31 December 2018 (for the year ended 31 December 2017: nil). The Directors intend to remain focused on the financial leasing services, factoring and microfinancing and loan facilitation service income in the future to achieve long term growth.

Other income

Other income increased by approximately RMB5.5 million from approximately RMB1.7 million for the year ended 31 December 2017 to approximately RMB7.2 million for the year ended 31 December 2018, due to the interest income gained from the short-term investment which was fully redeemed in June 2018 and other taxes refund resulted from the implementation of change in VAT rates.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB4.3 million or 58.1% from approximately RMB7.4 million for the year ended 31 December 2017 to approximately RMB11.7 million for the year ended 31 December 2018, due to the increase in the manpower arising from the Group's business expansions and the equity settled share-based payment.

Other operating expenses

Other operating expenses included primarily the entertainment expense, legal and professional fee, travelling expenses, etc. For the year ended 31 December 2018, the other operating expenses was approximately RMB7.9 million (for the year ended 31 December 2017: approximately RMB6.0 million), representing approximately 9.5% of the Group's total revenue (for the year ended 31 December 2017: approximately 6.2%).

Finance Cost

The finance cost decreased by approximately 4.6% from approximately RMB34.8 million for the year ended 31 December 2017 to approximately RMB33.2 million for the year ended 31 December 2018.

Profit for the year attributable to the owners of the Company

Profit for the year decreased by approximately RMB3.4 million, or approximately 12.9%, from approximately RMB26.4 million for the year ended 31 December 2017 to approximately RMB23.0 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in revenue and the increase in employee benefit expenses and legal expense.

Dividend

The Board recommended the declaration of a final dividend of HK3 cents per share, subject to Shareholders' approval at the annual general meeting to be held on 31 May 2019. The final dividend will be payable on 28 June 2019 to Shareholders whose names appear on the register of members of the Company on 10 June 2019.

Liquidity, financial resources and capital resources

As at 31 December 2018, the cash and cash equivalents were approximately RMB61.2 million (31 December 2017: approximately RMB56.0 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB702.7 million (31 December 2017: approximately RMB371.0 million) and approximately RMB676.4 million (31 December 2017: approximately RMB486.5 million), respectively.

As at 31 December 2018, the Group's bank borrowings with maturity within one year amounted to approximately RMB252.4 million (31 December 2017: approximately RMB117.6 million) and the Group's bank borrowings with maturity exceeding one year decreased to approximately RMB405.6 million (31 December 2017: approximately RMB551.1 million). Remaining portion of the indebtedness represented unsecured other borrowings amounting to approximately RMB50.2 million (31 December 2017: nil).

Gearing ratio (total bank and other borrowings/total equity) as at 31 December 2018 was approximately 104.7% (31 December 2017: approximately 137.4%). Such decrease was due to the acquisition of microfinance subsidiary.

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; (iii) small loan receivables; and (iv) accounts receivables of advisory services fees and upfront loan facilitation service fees. As at 31 December 2018, the loan and account receivables were approximately RMB1,476.3 million (31 December 2017: approximately RMB1,147.3 million), and this increase was mainly due to the expansion of business in microfinancing during the year of 2018.

Capital commitments

As at 31 December 2018, the Group had no capital commitments (31 December 2017: Nil).

Employees and remuneration policy

As at 31 December 2018, the Group employed 89 full time employees (as at 31 December 2017: 40) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB11.7 million for the year ended 31 December 2018 (year ended 31 December 2017: RMB7.4 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.

RISK MANAGEMENT

The Group's business operations are conducted for the PRC financial leasing market in the PRC. 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 arising for its daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are (i) risk management department, (ii) business development department, and (iii) accounting and finance department. Potential business opportunities are assessed by the business development department on the potential customer's background, credit records, financials and the underlying assets. The risk management department reviews all given information thoroughly and considers relevant risk factors. Where necessary, external legal advisors are engaged to assess the potential legal issues. 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 monitors financial leasing receivables to review the ongoing risk exposure of the Group.

The Directors take both macro and micro economic conditions into account before making business decisions. Given the recent volatility in PRC economy and financial market, the Group has been more cautious in the selection of high calibre customers. The Group will continue to improve risk management capabilities by better allocation of resources and refining process workflow, such as involving credit assessment and approval procedures to enhance the customer selection process.

In addition, the Group intends to improve the information technology system to assist us in collecting more accurate information and allow us to be more effective in reviewing the financial and operational status of the customers. The Group will also continue to expand the risk management team to cater for the additional work arising from our expanding business operations, and allocate sufficient manpower to maintain an appropriate risk reward balance.

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 144,000,000 shares of the Company in total.

As at 31 December 2018, 4,320,000 Shares had been granted under the Share Option Scheme during the year ended 31 December 2018. As at the date of this annual report, 2,880,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 2% of the total number of issued shares at that date and none is lapsed under the Share Option Scheme.

OUTLOOK AND PLANS

In the year 2018, the Group dedicated the effort in the provision of financial services notwithstanding the growing uncertainties in the PRC market. The Group will continue to maintain a prudent and balanced approach by adjusting its strategies, such as the expansion in business channels and the widening of SME and high-quality enterprises customer base, by becoming the controlling shareholder of a microfinance company in Shenzhen.

The Group will continue to adopt the current prudent approach to sustain business growth by conservatively expanding business with diversified customer base, while maintaining a good relationship with the existing customers and banks. The Board will cautiously monitor the external business environment, with the aim to develop a more diversified customer base, expand to multiple markets and provide various services to the customers to maintain competitiveness in the market. Looking ahead to 2019, the Board believe that the Group will sustain its growth by refining its business operations and delivering quality services to high calibre customers.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Wai Ho (盧偉浩), aged 49, 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 Weiquan (the Group's non-executive Director), Mr. Xie Zhuochou (a member of the Group's senior management) 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 53, 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 37, 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) and Mr. Xie Zhuochou (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 50, 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. Ms. Hung has been appointed as an independent non-executive director of WT Group Holdings Limited (stock code: 8422) since 1 December 2017. On 15 January 2019, Ms. Hung has been appointed as the responsible officer of Pearl Bridge Securities Limited, which is a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities.

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 31, 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 and resigned on 28 February 2019.

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 Weiquan (the Group's non-executive Director) and Mr. Xie Zhuochou (a member of the Group's senior management). 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.

Mr. Xie Zhuochou (謝灼疇), aged 35, joined the Group as the head of the risk management department of CWW Leasing on 1 February 2019. He is responsible for overseeing the risk management department.

Mr. Xie graduated from 華南理工大學 (South China University of Technology) in 2006 with a bachelor's degree in business management. Prior to joining the Group, Mr. Xie 深圳恒豐海悅國際酒店有限公司 (Hengfeng Haiyue International Hotel Company Limited*) as the general manager of the finance department during August 2006 to February 2007. From March 2007 to March 2008, Mr. Xie worked as the project manager for 深圳恒豐房地產有限公司 (Shenzhen Hengfeng Real Estate Co. Limited*). From March 2008 to December 2017, Mr. Xie worked as the head of accounting and finance department of 廣東恒豐集團有限公司 (GD. Hengfeng Group Co. Ltd.*).

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. Xie Weiquan (the Group's non-executive Director) and 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.

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 35, joined the Group on 10 September 2014 as the head of business development department of CWW Leasing and CWW Services and resigned on 30 September 2018. 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 32, was appointed as company secretary of the Company on 12 May 2016 and resigned on 21 January 2019. 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.

* *For identification purpose only*

Ms. Fok Chau Tung (霍秋彤), aged 31, was appointed as company secretary of the Company on 21 January 2019. She holds a Bachelor of Commerce Degree from the University of Melbourne, Australia. She has been admitted as a member of the CPA Australia since March 2014 and the member of Hong Kong Institute of Certified Public Accountants since March 2016. She has over 8 years of experience in accounting, audit, company secretarial and financial reporting fields. She has been working in audit firm since June 2010 and worked for the Group since September 2015 as the finance manager.

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2018.

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 2018, 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 Director

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 10 to 12 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 DIRECTOR

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.

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

Board Meetings and Attendance

	Annual General meeting	Regular board meeting	Nomination Committee	Remuneration Committee	Audit Committee
Executive Director, Chairman and Chief Executive Officer					
Mr. LO Wai Ho	1/1	10/10	2/2	2/2	—
Executive Director					
Ms. CHAN Shuk Kwan Winnie	1/1	10/10	—	—	—
Non-executive Director					
Mr. XIE Weiquan	1/1	10/10	—	—	—
Independent non-executive Director					
Mr. HA Tak Kong	1/1	10/10	2/2	2/2	2/2
Mr. Ip Chi Wai	1/1	10/10	2/2	2/2	2/2
Ms. Hung Siu Woon Pauline	1/1	10/10	—	—	2/2

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 year, the Company has held two meetings of Audit Committee in March 2018 and August 2018.

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 year, the Company has held two meetings of Remuneration Committee in March and August 2018, 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 year, the Company has held two meetings of Nomination Committee in March and August 2018, 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 2018 is set out in Note 10 to the consolidated financial statements.

Board Diversity policy

This Policy aims to set out the approach to achieve diversity on the board of directors (the "Board") of Wealthy Way Group Limited (the "Company").

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Board's composition will be disclosed in the corporate governance report of the Company annually in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions to the Policy that may be required, and recommend any such revisions to the Board for consideration and approval.

Dividend policy

Under the Dividend Policy, in circumstances that the Group is profitable and without affecting the normal operations and future growth of the Group, the Company may consider declaring and paying dividends to its shareholders. Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association of the Company. According to the Dividend Policy, while the Company intends to declare and pay dividends in the future, the payment and the amount of any dividends will depend on a number of factors, including but not limited to: (i) the Group's actual and expected financial performance; (ii) the Group's expected working capital requirements and future development plans; (iii) the Group's liquidity position; (iv) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; (v) shareholders' interests; (vi) any restrictions on payment of dividends; (vii) and other factors that the Board deems appropriate. The Board endeavors to strike a balance between the shareholders' interests and prudent capital management with a sustainable dividend policy and the Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There can be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any of the plans or at all.

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 2018 is set out as follows:

Amount of Fees

Types of services provided by Moore Stephens	RMB$'000
Audit services	758
Non-audit services *(reporting accountant for major and connected acquisition)*	1,027

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 and resigned on 21 January 2019. During the Year, Ms. Cheuk has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Ms. Fok Chau Tung has been appointed as company secretary of the Company on 21 January 2019.

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.

Report of the Directors

The Directors of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group are provision of financial leasing, factoring, advisory services and loan facilitation services in the People's Republic of China ("PRC").

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report. The Board of Directors will recommend a final dividend of HK$0.03 per share (2017: Nil), payable on 28 June 2019 to those persons registered as shareholders on 10 June 2019 for the year ended 31 December 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, are set out on page 136. This summary does not form part of the audited consolidated financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, our five largest customers accounted for approximately 52.8% (2017: approximately 53.7%) of the Group's total revenue and our largest customer accounted for approximately 31.4% (2017: approximately 43.8%) of our total revenue.

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

For the year ended 31 December 2018, 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 36 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 2018 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 2018.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves and distributable reserves of the Company during the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements. As at 31 December 2018, 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 53.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year 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 2018 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 2018 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 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2018

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

	2018	2017
Nil to HK$1,000,000 (equivalent to approximately RMB843,000)	**–**	1
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB843,000 to RMB1,318,000)	**1**	–

No Director and Senior management has waived or has agreed to waive any emoluments during the year ended 31 December 2018.

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 31 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 2018.

NON-COMPETITION UNDERTAKING

The Company's controlling shareholders (each a "Covenantor" and collectively, the "Covenantors"), namely, Mr. LO Wai Ho ("Mr. Lo") and Wealthy Rise Investment Limited entered into the deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for the Company itself and as trustee for each of the Company's subsidiaries), under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for the Company itself and as trustee for each of the Company's subsidiaries) that:

(a) he/it shall not, and shall procure each of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as an investor, a shareholder, partner, principal, agent, director, employee, consultant or otherwise and whether for profit, reward, interest or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or products and/or in which any member of the Group carries on business mentioned above from time to time (the "Restricted Business");

(b) if he/it and/or any of his/its close associates and/or companies controlled by he/it (excluding any member of the Group) is offered or becomes aware of any project or new business opportunity ("New Business Opportunity") that relates to the Restricted Business, whether directly or — 1 — indirectly, he/it shall give the Company a first right of refusal to participate or engage in such New Business Opportunity by: (i) promptly within ten (10) business days notify or procure the relevant close associate and/or the companies controlled by him/it to notify the Group in writing of such New Business Opportunity and provide such information as is reasonably required by the Group in order to enable the Group to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such New Business Opportunity is offered to the Group on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates and/or companies controlled by him/it;

(c) he/it shall provide the Group and the Directors (including the independent non-executive directors (the "INEDs")) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by the INEDs from time to time, for the annual review by the INEDs with regard to compliance and enforcement of the terms of Deed of Non-Competition;

(d) (i) he/it will not and will procure that none of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) will solicit or entice away from any member of the Group any existing or then existing directors, employees or customers of the Group; and (ii) he/it will not without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as the controlling shareholder (within the meaning of the Listing Rules) of the Company for any purposes.

The non-competition undertaking will take effect from the date on which dealings in the shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (a) (i) such Covenantor, and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as a controlling shareholder and do not have power to control the board of directors or there is at least one other independent shareholder other than the Covenantors and his/its close associates holding more shares than the Covenantors and his/its close associates taken together; and (ii) Mr. Lo ceases to be a director; or (b) the shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2018.

The INEDs of the Company have reviewed the written confirmation made by the Covenantors of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition given by the Covenantors.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition since the Company's listing of its shares on the Stock Exchange.

SHARE OPTION SCHEME

On 19 June,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 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 31 December 2018, 4,320,000 Shares had been granted under the Share Option Scheme during the year ended 31 December 2018. As at the date of this annual report, 2,880,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 2% of the total number of issued shares at that date and none is 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.

Information in relation to share options disclosed in accordance with the Listing Rules was as follow:

(1) Movement of share options during the year ended 31 December 2018

Name	Date of Grant	Outstanding as at 1 January 2018	Granted	Exercised	Lapsed/ Cancelled	Outstanding as at 31 December 2018
XIE Weiquan	4 July 2018	—	360,000	—	—	360,000
Aggregate of other Employees	4 July 2018	—	1,800,000	—	—	1,800,000
Other participants	4 July 2018	—	2,160,000	—	—	2,160,000

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 2018.

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 2018 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

Except 720,000 and 720,000 share options have been exercised and issued on 8 and 27 February 2019, respectively, there is no material subsequent event undertaken by the Company or the Group after 31 December 2018 and up to the date of this annual report.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2018, 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.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities except contingent consideration payable in relation to acquisition of subsidiary (31 December 2017: Nil). Details of contingent consideration payable are set out in note 21.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" on pages 16 to 23 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 our 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 our 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 our 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 2018.

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 two year since the Listing Date and will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

ABOUT THE GROUP

Wealthy Way Group Limited (the "Company") together with its subsidiaries (the "Group") affirms its commitment towards the idea of sustainability, with the publication of the Environmental, Social and Governance Report. The report has been prepared in accordance with ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for disclosures.

The Environmental, Social and Governance report of the Group (the "ESG Report") has been presented into two subject areas: environmental and social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide. The Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

This report will present mainly policies, initiatives and performance of the Group for the year ended 31 December 2018 and highlight material aspects identified during the period from 1 January 2018 to 31 December 2018 (the "Reporting Period").

APPROACH AND STRATEGY

WE, Wealthy Way Group Limited, believe in delivering long term sustainable value creation to our shareholders. In doing so, while we carry on our business, we make choices that bring positive impacts to the communities. We have adopted a sustainability policy which covers employment and labour practices, business integrity, the environment and the community. The Company is committed to support good environmental standards and to ensure implementation of environmental friendly measures.

On 24 December 2018, the Group has completed an acquisition of a microfinancing company primarily engaged in the provision of financing solutions to its customers. The management of the Group is of the view that the money lending business does not bring significant environmental impact to the Group, the focus of this report would be placed on the general disclosure.

A. ENVIRONMENTAL

A.1: Environmental

The Group understands and appreciates the key aspects of the PRC government's environmental protection efforts, such as reduction on pollutions, utilization on resources and social education on environmental issues. The Group has the obligation to minimise the environmental impact on daily operations and be accountable for the consumption of resources and materials. The Company does not produce hazardous wastes as it does not deal with any industrial production activities. Greenhouse gases produced by energy consumption and traffic are the Company's major emissions. For the year ended 31 December 2018, there is no material non-compliance issue with relevant laws and regulations related to the environment.

Air pollutants emissions

For the business operation in PRC, during the year ended 31 December 2018, 8,990 litres of petrol have been consumed. At making re-fuelling decision, the Group concerns about the use of fuel has adverse effect to the environment and so they would car-pool wherever possible, use tele-conference or video conference in place of face to face meetings. During the process of combustion of fuels, other air pollutants, such as nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matters ("PM") are also produced.

Greenhouse gas emissions

The operation of the Group does not involve in any manufacturing activities and does not have material impacts on the environment and natural resources. Nevertheless, the Group generates greenhouse gas ("GHG") emission through the combustion of fuels, the use of electricity and the production of paper waste in the offices.

Electricity used on the business premises is the major contributor to greenhouse gas footprint. Apart from electricity consumption, the use of motor vehicles for local commutation and flights for business trips also led to the indirect emissions of greenhouse gas. The emission of carbon dioxide (CO2) has been calculated by the quantity of energy consumed multiple by the emission factors and the emission of CO2 are used kg as unit.

Waste management

The Group's operations do not produce any hazardous waste, which includes but not limited to chemical wastes, clinical wastes and hazardous chemicals. The non-hazardous waste produced was mainly paper waste. Measures for reducing and recycling the waste were put in place.

The table below shows the emissions of air pollutants and greenhouse gases for the reporting period:

Emissions	2018 (kg)	Unit
Air pollutants		
Nitrogen oxides ("NO_x")	3.14	Kg
Sulphur oxides ("SO_x")	0.13	Kg
Particular matters ("PM")	0.23	Kg
Carbon dioxide ("CO_2")		
Scope 1 — Direct emissions from the direct combustion of mobile transportation	24,345.80	Kg
Scope 2 — Energy Indirect emissions from purchased electricity	61,265.95	Kg
Scope 3 — Other indirect emissions from business travel and the use of paper	12,499.71	Kg
Total CO_2 emissions	98,111.46	Kg
Methane ("CH_4")	47.77	Kg
Nitrous oxide ("N_2O")	3,079.79	Kg

A.2: Use of resources

Conservation of natural resources

The Group is committed to upholding high environmental standards in order to promote environmental friendliness. Throughout the Group, the following actions have been taken to reduce carbon and energy footprints:

— maintain the indoor temperature of offices at 26 degrees Celsius;

— minimise the use of motor vehicles during peak hours;

— choosing environmental friendly materials and energy saving lightings and electrical appliances;

— idle electrical appliances are switched off; and

— regular maintenance and repair for electrical appliances to lower energy waste;

— double sided printings reuse single-sided printed papers; and

— encourage staff to report all leaking faucets or pipes to relevant department and turn off all taps when not in use.

During the reporting period, the energy consumed directly for the operation of financial leasing is as follows:

Use of natural resources	**Unit**	**Consumption**	**Intensity (Per staff)**
Unleaded petrol	L	8,990	321.07
Electricity	kWh	73,585	2,628.04
Water	ton	41.50	1.48
Paper	kg	199.06	7.11

A.3: Environmental and natural resources

Due to the nature of the business, the Group does not have any direct and significant impacts on the environment and natural resources during its operation. By taking the green initiatives mentioned above, the Group is committed to mitigate the environmental impact and acting in a manner that is both environmentally and socially responsible.

B. SOCIAL

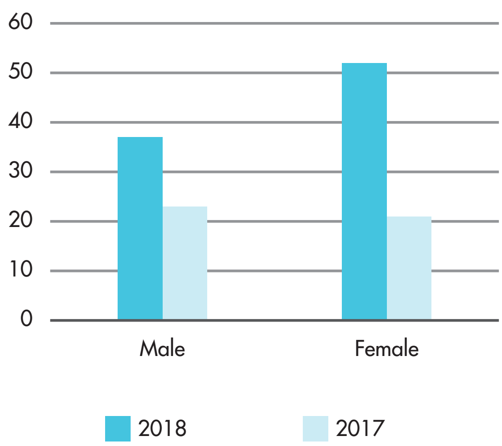
B.1: Employment

Labour practices

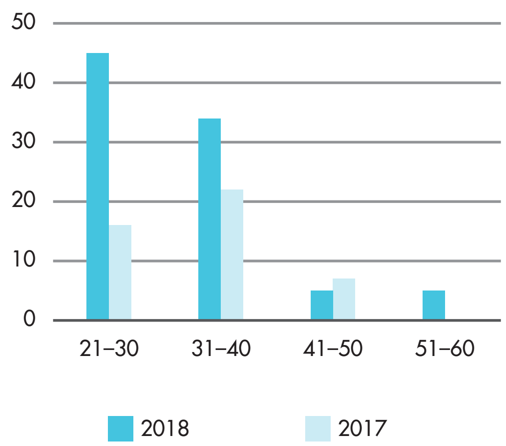
The Group regards employees as one of the most valuable assets of the Group and regards the personal development of its employees as highly important. Staff is the most important asset that drive the long-term development and sustainability of the Group.

As at 31 December 2018, the Group employed 89 (2017: 40) full time staff. Due to the operation of the Company is in PRC, 95% of staff of the Group are situated there. The Group has a diverse workforce in terms of gender and age. As a whole, the male/female ratio is approximately 1:1.4 (2017: 1:0.91). The significant increase of workforce was attributed to the acquisition of the microfinancing company. The breakdown by gender, age group and the length of service are as follows:

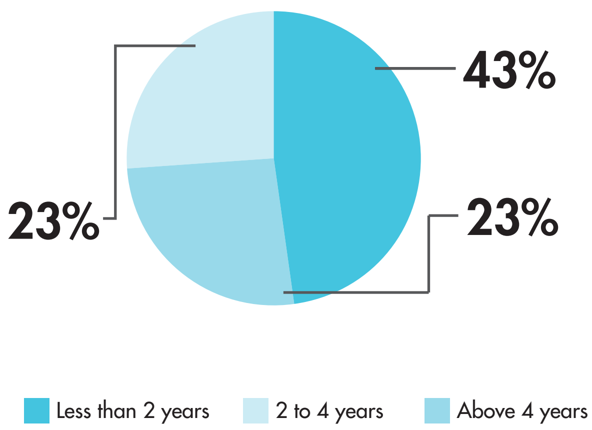
Staff distribution by gender



Staff distribution by age group



Staff distribution by service period



Staff are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and mandatory provident fund, discretionary bonuses are rewarded to employees based on individual performance. Appraisal and self-assessment systems have been implemented to better identify human resources need and to support our human resources development.

Employment in P.R.C are subject to the Labour Law and the Employment Contract Law of the People's Republic of China 《中華人民共和國勞動法及勞動合同法》. Employment in Hong Kong is subject to the Employment Ordinance, the Minimum Wage Ordinance and the Employees' Compensation Ordinance. During the year, the Group has no recorded non-compliance with the above law and regulations.

Equal Opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis no matter of what gender they are, thus the rights of female employees are well-protected.

The Group adopts equal employment opportunity policies and treats all the employees equally. Employment, remuneration and promotion are not under the influence of social identities, such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

B.2: Health and Safety

The Group aims to provide a safe and healthy working environment to the employees and promotes the ideal of "Work happily, Live healthily". The Group organises recreational activities, such as badminton races and basketball match, for employees regularly. Holding recreational activity not only able to build up the sense of belonging and team spirits among employees, but also promote the message of the importance of work-life balance to all staff. The group also provide free body check up to all staff before admission and annually.

During the reporting period, there were no cases of non-compliance with the laws and regulations in respect of the provision of a safe working environment and the protection of employees from occupational hazards. During the year 2018, no cases of injury have been reported within the Group.

B.3: Development and training

The Group encourages employees to participate in on-the job training and continuing education to create opportunity for career development. On-the-job training is tailored to equip our workplace with the necessary knowledge and skills relevant to work. The Group also invites scholars and experts to introduce the management skills and latest industry information to employees from time to time.

Other than providing diversified on-the-job training to employees and ensure employees able to meet the changing demands in the Group and the market. By providing continuous training, employees gain satisfaction and enjoyment from fulfilling their roles and boost morale. To promote continuous and life-long learning, the Group joined an annual program from an external training organisation in 2018. Staff can enrol to the courses held by the organisation for unlimited times.

To ensure every employee in different sectors of the Group receive sufficient training, training had been divided into 4 main streams:

- risk management;
- sales and marketing;
- customer due diligence; and
- assets management.

Training details of staff in operation of financial leasing for the year ended 31 December 2018:

	Male	**Female**
No. of training hours	184	208
No. of staff attended training	6	10
Percentage of staff attended training	54.5%	58.8%

B.4: Labour Standard

The operation team of the Group require sophisticated training in the field of Finance or extensive exposure to the finance business. Hence the Group does not rely on labour or involve in any labour-intensive work. As such, it is almost certain that the Group would not be involved in child or forced labour. Further, the employment policies of the Group focus on the capabilities of the individual regards of personal traits such as gender or ethnic groups.

The Group has strictly complied with Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》. According to the Employment Ordinance Chapter 57 of the Laws of Hong Kong and the Provisions on the Prohibition of Using Child Labour and the Law of the People's Republic of China on the Protection of Minors《中華人民共和國禁止使用童工規定及保護未成年人法》and as stipulated by the Labour Law of the People's Republic of China《中華人民共和國勞動法》in terms of employment management, there is neither child nor forced labour in the Group's operation.

Group also has policies to protect staff's labour rights with a complaint system for staffs to report their concerns and any violations of labour rights. Undoubtedly, at the year ended 31 December 2018, the Group is prohibited to employ any staffs who has under the legal working age for protecting the young people at work.

B.5: Supply Chain Management

The Group's business nature is service oriented. The main suppliers are only involved in third-party services providers in PRC, such as property management services, information technology services, legal and consulting services and office equipment and printing suppliers.

The Group expects all their suppliers to embrace corporate social responsible value since the supply chain management is an essential part of the corporate social responsibility. As majority of their suppliers are established banks and financial institutes the Group could assess their corporate social responsibilities without much difficulties. The Group would evaluate the performance of these institutes on whether the quality of raw materials have met the Group's requirement as well as the timing of the delivery.

In choosing new supplier, the Group has a preference on selecting recycled and environmentally friendly products in order to minimize the environmental impacts. To provide a fair overview of supplier selection, the Group opt to select more than one supplier for comparison purpose during the primary engagement process.

B.6: Product Responsibility

Consumer data protection and privacy policies

Being a provider of financial leasing, the Group has access to significant financial information of the lessee and personal data of its management, therefore, ensuring the privacy of customer information is one the issues the Group cares the most.

The Group has formulated a set of privacy principal in collection, retention, use, security, openness and accessibility of information to ensure all lessees' information received is only for its intended purpose and to prevent information leakage, such as:

- Access control to all information of lessees;
- Requiring employees not to retain and disclose any confidential information about the Group's business and other sensitive confidential data to any third party; and
- Requiring employees not to obtain any unnecessary information from the lessees and its associated parties.

B.7: Anti-Corruption

Anti-corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group, therefore the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and anti-corruption mechanism is seen to be the cornerstone of the sustainable and healthy development of the Group.

With compliance with relevant laws and regulations of Criminal law of the People's Republic of China 《中華人民共和國刑法》and the Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國不正當競爭法》, the Group has established a comprehensive mechanism in reporting and investigation procedures of related issues. The Group would terminate the employment contract with immediate effect with employees who accept any benefits from customers and suppliers. Employees are asked to notify their respective division head for any suspicious transactions. If any employee is found to be in violation of corruption after investigation, the Group will penalise the employee involved, including the termination of labour contracts with immediate effect. During the year 2018, no cases associated with corruption have been reported and discovered.

Money laundering

The Group strictly implements a series of policies and procedures to prevent and detect money laundering and terrorist financing. Following measures have been taken to prevent and detect money laundering and terrorist financing:

- carries out know-your client procedures by verifying customers' identity with reference to reliable and independent source of documents;
- reports any suspicious transactions to the relevant government department;
- maintain all essential information of customers with Personal Data (Privacy) Ordinance;
- repayments are only made by cheque, bank transfer with customers' bank accounts, and
- provide professional training relating to current legislation and practices to employees.

B.8: Community investment

The Group recognised the importance of corporate social responsibility and encourages employees to contribute to the community. The Group would from time to time make other charitable donations as deemed necessary. In the future, the Group will seek opportunities to contribute to the community.

Independent Auditor's Report

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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 50 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 4, 5 and 16 to the consolidated financial statements)

As at 31 December 2018, the gross loan and account receivables and its related ECLs allowance amounted to approximately RMB1,561,992,000 (2017: RMB1,147,340,000) and RMB85,652,000 (2017: Nil) respectively.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group determines the ECLs to be recognised in the consolidated financial statements taking into consideration various factors, including the value of any underlying collaterals and/or credit enhancements, deposits received, repayment history, current creditworthiness and significant changes in credit quality of the borrowers as well as subsequent settlements and other relevant information. The Group considered reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. Such exposures are assessed individually or collectively by taking into account the quantitative and qualitative information and also, forward-looking analysis.

Our key procedures to address the matter included:

— We obtained an understanding of the Group's credit risk management and practices and assessed the Group's ECLs impairment policy in accordance with the requirement of HKFRS 9 including an evaluation of management judgement on:

  (i) the level of disaggregation of portfolios for ECLs assessment;

  (ii) the use of reasonable and supportable credit risk information that is available without undue cost or effort; and

  (iii) the staging criteria of determining if a significant increase in credit risk has occurred.

— We tested the basis for classification of exposures into the 3 stages. The testing included the checking to loan overdue information, loan-to-value percentage or other related information, and considering the stage classification determined by the Group.

— We assessed the controls over the origination, ongoing internal credit quality assessments, recording and monitoring of loan receivables.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 4, 5 and 16 to the consolidated financial statements) (Continued)	
We have identified the management's ECLs assessments of the recoverability of its loan and account receivables as a key audit matter because the carrying amount of the loan and account receivables as at 31 December 2018 was significant and the ECLs assessment of these balance required significant management judgement and involved high level of uncertainty.	Our key procedures to address the matter included (Continued): — We assessed the application of ECLs methodology and checked the assumptions and parameters to external data sources where available. — We assessed the ECLs allowance made by the Group by examining the loan credit files and underlying documentation, deposits received and other evidence supporting the repayment records, the value of collateral and/or credit enhancement, information regarding the current creditworthiness and any significant changes in credit quality of the borrowers, evidence of subsequent settlement and other relevant information and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment. — We assessed the effectiveness and marketability of collaterals, including considering independent legal opinion obtained by the Company, fair values of collaterals and timing required for converting collaterals into cash in the case of default. — We assessed the reasonableness and relevancy of the external information used by the Group as the forward looking information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, etc.

Purchase price allocation ("PPA") on acquisition of a subsidiary and subsequent measurement of contingent consideration on the acquisition (Refer to Notes 21 and 30 to consolidated financial statements)

During the year, the Group has acquired an aggregate of 55% equity interest in Shenzhen Haosen Credit Joint Stock (Limited) Company ("Shenzhen Haosen") for an aggregate consideration of approximately RMB190,640,000 from a related party, who is the sibling of the controlling shareholder of the Company.

The excess amounts of net fair value of identifiable assets acquired and liabilities assumed on the date of acquisition over the consideration paid of approximately RMB21,341,000 was recognised as gain on acquisition and recognised in the Group's consolidated statement of changes in equity.

In the purchase price allocation in arriving at the gain on acquisition, the management has:

(a) reassessed the identification of the assets acquired and the liabilities assumed, as well as recognised any additional assets and liabilities that are identified on the date of acquisition;

(b) engaged an independent valuer to estimate the fair value of the identifiable assets acquired and liabilities assumed; and

(c) performed the purchase price allocation of the total cost against the Group's share of the net fair value of the acquired assets and liabilities.

Our key procedures to address the matter included :

— We discussed with the management and checked the related acquisition agreements to understand the background and other related important information related to the acquisition.

— We obtained the valuation reports as prepared by the independent valuer for the assets acquired and liabilities assumed, consideration at the acquisition date and contingent consideration at the reporting date.

— We assessed the independence, competence, capabilities and relevant experiences of the independent valuer in conducting valuation of business value of companies with similar industry.

— We performed the following procedures with our internal valuation specialists:

  (i) We discussed the rationale and process of identification of any additional assets and liabilities with the management and the independent valuer;

Purchase price allocation ("PPA") on acquisition of a subsidiary and subsequent measurement of contingent consideration on the acquisition (Refer to Notes 21 and 30 to consolidated financial statements) (Continued)	
As at 31 December 2018, the Group has recognised the contingent consideration payable amounting to approximately RMB35,784,000. The fair value measurement of the contingent consideration payable involves the estimates of future profits of Shenzhen Haosen and other assumptions and key inputs. Significant management judgement and high level of estimation uncertainty were involved in the assessment of fair value of identifiable net assets of the acquired subsidiary as well as the contingent consideration payable.	Our key procedures to address the matter included (Continued): — We performed the following procedures with our internal valuation specialists (Continued): (ii) We assessed the reasonableness of the valuation methodologies and assumptions used in determining the fair value of the identifiable assets acquired and liabilities assumed and comparing source and market data used in the underlying assumptions for valuation of the assets acquired with reference to comparable companies or transactions; (iii) In respect of the assumptions used in the valuation of contingent consideration, we discussed with the management of the Company and the independent valuer about the assumptions such as growth rate used in the profit projection based on our knowledge of the business and industry, and to challenge the reasonableness of the key inputs including assessing the reasonableness of the discount rate based on relevant market data of comparable companies where appropriate; and (iv) We checked the accuracy and relevance of the input data and mathematical accuracy of the valuation calculation and the underlying data used in the calculation.

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 2018 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 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	7	**83,046**	96,587
Other income	7	**7,229**	1,673
Employee benefit expenses	9	**(11,686)**	(7,384)
Depreciation	14	**(501)**	(496)
Operating lease expense		**(1,561)**	(913)
Other operating expenses		**(7,907)**	(5,976)
Allowance for ECLs	16	**(1,884)**	—
Listing expense		**—**	(8,999)
Finance cost	8	**(33,177)**	(34,758)
Profit before income tax	9	**33,559**	39,734
Income tax expense	11	**(10,553)**	(13,346)
Profit for the year		**23,006**	26,388
Profit for the year attributable to:			
Equity holders of the Company		**23,641**	26,388
Non-controlling interests		**(635)**	—
		23,006	26,388
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**1,486**	(3,722)
Total comprehensive income for the year		**24,492**	22,666
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**25,127**	22,266
Non-controlling interests	36(b)	**(635)**	—
		24,492	22,266
Earnings per share attributable to equity holders of the Company	13		
Basic earnings per share		**16.42 cents**	21.25 cents
Diluted earnings per share		**16.41 cents**	21.25 cents

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**3,359**	1,579
Loan and account receivables	16	**472,140**	699,464
Deferred tax assets	25	**21,406**	—
		496,905	701,043
Current assets			
Loan and account receivables	16	**1,004,200**	447,876
Prepayments, deposits and other receivables	15	**2,353**	2,703
Amounts due from related parties	17	**290**	—
Tax recoverable		**410**	—
Cash and cash equivalents	18	**61,201**	55,973
		1,068,454	506,552
Current liabilities			
Deposits from financial leasing customers	19	**5,880**	200
Accruals and other payables	20	**17,208**	2,872
Amounts due to related parties	17	**845**	1,646
Amount due to ultimate holding company	17	**—**	4,327
Dividend payable to non-controlling interests	36(b)	**13,768**	—
Contingent consideration payable	21	**19,600**	—
Deferred income	22	**—**	684
Bank and other borrowings	23	**302,595**	117,569
Tax payable		**5,821**	8,302
		365,717	135,600
Net current assets		**702,737**	370,952
Total assets less current liabilities		**1,199,642**	1,071,995
Non-current liabilities			
Deposits from financial leasing customers	19	**25,543**	34,380
Bank and other borrowings	23	**405,620**	551,114
Contingent consideration payable	21	**16,184**	—
Promissory note	24	**75,846**	—
		523,193	585,494
Net assets		**676,449**	486,501

	Notes	2018 RMB'000	2017 RMB'000
EQUITY			
Share capital	26	**1,248**	1,248
Reserves	27	**502,397**	485,253
Total equity attributable to equity holders of the Company		**503,645**	486,501
Non-controlling interests	36(b)	**172,804**	–
Total equity		**676,449**	486,501

The consolidated financial statements on pages 50 to 135 were approved and authorised for issue by the Board of Directors on 26 March 2019 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 2018

	Share capital RMB'000 (Note 26)	Proposed final dividend# RMB'000 (Note 12)	Share premium# RMB'000 (Note 27(i))	Share-based payment reserve# RMB'000 (Note 27(ii))	Exchange reserve# RMB'000 (Note 27(iii))	Other reserve# RMB'000 (Note 27(iv))	Statutory surplus reserve# RMB'000 (Note 27(v))	Retained profits# RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 36(b))	Total equity RMB'000
At 1 January 2017	–*	–	–	–	(494)	218,400	9,209	71,749	298,864	–	298,864
Comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	26,388	26,388	–	26,388
Other comprehensive expense:											
Exchange differences arising on translating foreign operations	–	–	–	–	(3,722)	–	–	–	(3,722)	–	(3,722)
Total comprehensive income for the year	–	–	–	–	(3,722)	–	–	26,388	22,666	–	22,666
Transactions with equity holders of the Company:											
Issue of shares upon share offer (Note 26(c))	312	–	173,142	–	–	–	–	–	173,454	–	173,454
Capitalisation issue of shares (Note 26(d))	936	–	(936)	–	–	–	–	–	–	–	–
Expenses incurred in connection with issue of new shares	–	–	(8,483)	–	–	–	–	–	(8,483)	–	(8,483)
	1,248	–	163,723	–	–	–	–	–	164,971	–	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	–	486,501
Adoption of HKFRS 9 (Note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,404)**	**(33,404)**	**–**	**(33,404)**
Adjusted balance as at 1 January 2018	**1,248**	**–**	**163,723**	**–**	**(4,216)**	**218,400**	**13,164**	**60,778**	**453,097**	**–**	**453,097**
Comprehensive income:											
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,641**	**23,641**	**(635)**	**23,006**
Other comprehensive income:											
Exchange differences arising on translating foreign operations	**–**	**–**	**–**	**–**	**1,486**	**–**	**–**	**–**	**1,486**	**–**	**1,486**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,486**	**–**	**–**	**23,641**	**25,127**	**(635)**	**24,492**
Transactions with equity holders of the Company:											
Equity settled share-based Transactions (Note 34)	**–**	**–**	**–**	**4,080**	**–**	**–**	**–**	**–**	**4,080**	**–**	**4,080**
Arising from acquisition of a subsidiary (Note 30)	**–**	**–**	**–**	**–**	**–**	**21,341**	**–**	**–**	**21,341**	**173,439**	**194,780**
	–	**–**	**–**	**4,080**	**–**	**21,341**	**–**	**–**	**25,421**	**173,439**	**198,860**
Proposed final dividend (Note 12)	**–**	**3,795**	**(3,795)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transferred to statutory surplus reserve	**–**	**–**	**–**	**–**	**–**	**–**	**3,602**	**(3,602)**	**–**	**–**	**–**
At 31 December 2018	**1,248**	**3,795**	**159,928**	**4,080**	**(2,730)**	**239,741**	**16,766**	**80,817**	**503,645**	**172,804**	**676,449**

* Amount less than RMB1,000

\# These reserves accounts comprise the consolidated reserves of approximately RMB502,397,000 (2017: RMB485,253,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before income tax		**33,559**	39,734
Adjustments for:			
Bank interest income	7	**(238)**	(1,346)
Interest expense	8	**33,177**	34,758
Depreciation	14	**501**	496
Allowance for ECLs	16	**1,884**	—
Equity-settled share-based payments	34	**4,080**	—
Dividend income	7	**(1,206)**	—
Gain on disposal of property, plant and equipment	7	**(126)**	—
Operating profit before working capital changes		**71,631**	73,642
Decrease/(increase) in loan and account receivables		**172,225**	(562,836)
Decrease/(increase) in prepayments, deposits and other receivables		**1,154**	(89)
Increase in accruals and other payables		**2,389**	251
Decrease in deferred income		**(684)**	(1,402)
(Decrease)/increase in deposits from financial leasing customers		**(3,157)**	19,435
Cash generated from/(used in) operations		**243,558**	(470,999)
Income tax paid		**(13,498)**	(14,337)
Net cash generated from/(used in) operating activities		**230,060**	(485,336)
Cash flows from investing activities			
Interest received from bank deposits	7	**238**	1,346
Purchase of property, plant and equipment	14	**(778)**	(839)
Advance to a related party		**(39)**	—
Proceeds from disposal of property, plant and equipment		**126**	—
Acquisition of subsidiary (net of cash and cash equivalents acquired)	30	**(74,595)**	—
Net cash (used in)/generated from investing activities		**(75,048)**	507

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Interest paid on bank loans	8	**(33,177)**	(34,758)
Proceeds from bank loans		**8,300**	450,000
Repayment of bank loans		**(119,097)**	(140,753)
Repayment to related parties		**(1,639)**	(2,070)
Repayment to ultimate holding company		**(4,327)**	—
Payment of listing expense		**—**	(8,483)
Proceeds from issuance of shares upon share offer		**—**	173,454
Net cash (used in)/generated from financing activities		**(149,940)**	437,390
Net increase/(decrease) in cash and cash equivalents		**5,072**	(47,439)
Cash and cash equivalents at beginning of the year		**55,973**	107,365
Effect of foreign exchange rate changes		**156**	(3,953)
Cash and cash equivalents at end of the year		**61,201**	55,973
Analysis of cash and cash equivalents			
Bank balances and cash in hand		**61,201**	55,973

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 is at Room 02, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing, factoring and financial advisory services, small loans and related loan facilitation services in the 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. 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 except for certain financial instruments that are measured at fair value at the end of reporting period. The consolidated financial statements are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2017 except for the adoption of certain new and revised HKFRSs that are relevant to the Group and effective from the current period as set out below.

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 new and 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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
HK (IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS9 Financial Instruments with HKFRS 4 Insurance
HKASs 28	As part of the Annual Improvements to HKFRS 2014–2016 Cycle
Amendments to HKAS 40	Transfers to Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

HKFRS 9 Financial Instruments

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items (for example, contract assets, lease receivables and financial guarantee contracts).

In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment under expected credit loss ("ECL") model) to items that existed as of the date of initial adoption (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial adoption of HKFRS 9 has been recognised as adjustments to the opening equity.

(a) Classification and measurement of financial instruments

In general, HKFRS 9 categorises financial assets into the following three classification categories:

— measured at amortised cost;

— at fair value through other comprehensive income ("FVTOCI");

— at fair value through profit or loss ("FVTPL").

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement of financial instruments (Continued)

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial adoption (i.e. 1 January 2018), and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether the contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amount under HKAS 39 RMB'000	Reclassification RMB'000	Remeasurement RMB'000 (Note (i))	Carrying amount under HKFRS 9 RMB'000
Loan and account receivables	Loan and receivables	Amortised cost	1,147,340	–	(44,539)	1,102,801
Deposits and other receivables	Loan and receivables	Amortised cost	435	–	–	435
Cash and cash equivalents	Loan and receivables	Amortised cost	55,973	–	–	55,973

Note (i): The amount represents additional impairment losses based on the ECL model under HKFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Impairment under ECL model

HKFRS 9 has introduced the ECL model to replace the "incurred loss" model under HKAS 39. The ECL requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the ECL to the following types of financial assets:

— financial assets that are subsequently measured at amortised cost (including loan and account receivables, deposits and other receivables and cash and cash equivalents); and

— contract assets as defined in HKFRS 15, if any.

The Group has applied the simplified approach to measure lifetime ECL for certain of its loan and account receivables (loan receivables of direct lease under HKAS 17 and account receivables). Loss allowance for other financial assets at amortised cost is measured on 12-month ECL ("12-m ECL") basis unless there had been significant increase in credit risk since initial recognition.

In assessing whether the credit risk of financial assets has increased significantly since initial recognition the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on the financial asset as at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information. And in all cases, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default (i.e. credit-impaired for ECL calculation) in all cases when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	RMB'000
Loss allowance recognised as at 31 December 2017 under HKAS 39	—
Additional loss allowance as a result of the adoption of the ECL model under HKFRS 9	
— Loan and account receivables	(44,539)
Loss allowance recognised as at 1 January 2018 under HKFRS 9	(44,539)

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) Effect on the Group's retained profits as of 1 January 2018

The following table shows the impact of the adoption of HKFRS 9 on the Group's retained profits as of 1 January 2018:

	Decrease in the Group's retained profits RMB'000
Recognition of additional ECLs relating to:	
— Loan and account receivables (Note 16)	(44,539)
Total additional expected credit loss recognised	(44,539)
Income tax effect — deferred tax assets (Note 25)	11,135
	(33,404)

Accounting policies resulting from adoption of HKFRS 9 are disclosed in Note 4.6 to the consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 has replaced HKAS 11 Construction contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial adoption of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial adoption (i.e. 1 January 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 January 2018.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

As mentioned in note 1, the Group is engaged in the following operations:

— provision of financing leasing services

— provision of factoring services

— provision of small loans and related loan facilitation services

— provision of financial advisory services

The interest revenue derived from the provision of financing leasing, factoring and small loans recognised in accordance with HKFRS 9 is out of the scope of HKFRS 15.

The Group's contracts with customers for financial advisory services are tailor-made/made-to-order based on customers' specification with no alternative use to the Group. Taking into account the contract terms, the legal and regulatory environment in the PRC, the contracts provide the Group enforceable right to payment for performance completed to date and hence should be recognised overtime upon adoption of HKFRS 15. As there was no contract not completed as at 1 January 2018, there is no transition impact on the opening retained profits.

The Group provides a platform which matches borrowers with lenders, facilitates the execution of loan agreement and provides ongoing monthly services to the borrowers. The Group considers the loan facilitation services and ongoing monthly services as distinct performance obligations. The upfront loan facilitation service fee is recognised as revenue upon execution of loan agreements and the post facilitation services fee is recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. As this is a new income stream of the Group in the current year, there is no impact on the opening retained profits.

Accounting policies resulting from adoption of HKFRS 15 are disclosed in Note 4.13 to the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 As originally presented RMB'000	Effect of adoption of HKFRS 9 RMB'000	1 January 2018 restated RMB'000
Loan and account receivables	699,464	(14,635)	684,829
Deferred tax assets	—	11,135	11,135
Total non-current assets	701,043		697,543
Loan and account receivables	447,876	(29,904)	417,972
Total current assets	506,552		476,648
Net assets	486,501		453,097
Reserves	485,253	(33,404)	451,849
Total equity	486,501		453,097

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

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

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019*
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 3 Amendments	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 Amendments	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2018. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and amendments to HKFRSs. So far, it has concluded that the above new and amendments to 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 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 16 Leases (Continued)

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 remeasurement 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, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the adoption of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB8,340,000 (2017: RMB2,566,000) as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon adoption of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The new requirement to recognise a right-to-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements. In addition, the adoption of the new requirements may result in changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB689,000 (2017: RMB350,000) as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received paid would be included in the carrying amount of right-to-use assets.

The directors of the Company expected that, such changes would increase the consolidated asset and consolidated liabilities of the Group, but would not result in a significant impact to the consolidated financial performance in the Group's future financial statements.

HKAS 28 and HKFRS 10 Amendments

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

HKAS 28 and HKFRS 10 Amendments (Continued)

The Group did not enter into these transactions in the current year. The directors anticipate that the adoption of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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 (its subsidiaries).

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. 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. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

Business combinations

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of changes in equity.

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.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 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 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.

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.

4.3 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 3 to 5 years
Furniture and office equipment	3 to 10 years
Motor vehicles	3 to 10 years

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 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.

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.

4.5 Employee benefits

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

The short-term employee benefits are accrued 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Employee benefits (Continued)

(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.

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3)

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets of the Group are measured at amortised cost on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

— the financial asset is held within a business model whose objective is to collect contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Debt instruments at amortised cost

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregate rather than on instrument-by-instrument basis.

The Group's business models for managing its financial instrument reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called "worse case" or "stress case" scenarios. The Group takes into account all relevant evidence available such as:

— how the performance of the business model and the financial assets held within the business model are evaluated and reported to the entity's key management personnel;

— the risks that affect the performance of the business model and, in particular, the way in which these risks are managed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Debt instruments at amortised cost (Continued)

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the ECL assessment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income which are derived from the Group's ordinary course of business are recognised in profit or loss and included in the "Revenue" line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan and account receivables, deposits and other receivables and cash and cash equivalents) The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises simplified approach and recorded lifetime ECLs for the financial leasing receivable and account receivables and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances.

For financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in this likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, government bodies, as well as consideration of various external sources of actual and forecast econmic information that relate to the Group's core operations.

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

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

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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

— an actual or expected significant adverse change in regulatory, economic or technological environment of the debtor that results in a significant decease in debtor's abilities to meet the debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the borrower;

— a breach of contract, such as a default or past due event;

— the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both quantitative and qualitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impaired which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event — instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group reassesses whether the financial assets measured at amortised cost are credit-impaired at each reporting date.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, these are represented by the assets' gross carrying amount at the reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For financial leasing receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

— nature of financial instruments (i.e. the Group's loan and account receivables, deposits and other receivables are each assessed as a separate group. Advance to a related party are assessed for ECLs on an individual basis);

— past-due status;

— nature, size and industry of debtors; and

— external credit ratings where available.

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

The Group recognises an allowance for/reversal of ECL in profit or loss for all financial instruments and financial leasing receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies 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.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including deposits from financial leasing customers, accruals and other payables, amounts due to related parties and ultimate holding company and bank and other borrowings are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Financial instruments (upon the initial adoption of HKFRS 9 in accordance with transition in Note 3) (Continued)

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequently to initial recognition, the changes in fair value of the financial liabilities measured at fair value is recognised in profit or loss in the period in which they arise.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, 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.

4.7 Financial instruments (before the initial adoption of HKFRS 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (before the initial adoption of HKFRS 9) (Continued)

Financial assets (Continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (before the initial adoption of HKFRS 9) (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the directors of the Company) and other eligible participants.

The employee services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions. For the services received from the parties other than employees, there shall be a rebuttable presumption that the fair value of the services received can be estimated reliably. The fair value shall be measured at the date the counterparties render service. If the entity rebuts the presumptions because it cannot estimate reliably the fair value of the services received, the entity shall measure the services received, indirectly by reference to the fair value of the share options awarded.

All services received in exchange for the grant of share options is recognised as an expense in profit or loss when the share options granted vest immediately, with a corresponding increase in "Share-based payment reserve" within equity.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4.9 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.

4.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, 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, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Fair value measurement

The Group measures its financial instruments at fair value at the end of reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value if an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (upon initial adoption of HKFRS 15 in accordance with transitions in Note 3)

Revenue is recognised to depict the transfer of promised services to customers in an amount the reflects the consideration to which the entity expects to be entitled in exchange for those services. Specially, the Group uses a 5-step approach to revenue recognition:

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

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

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

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

— direct measurements of the value transferred by the Group to the customer; or

— the Group's efforts or inputs to the satisfaction of the performance obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (upon initial adoption of HKFRS 15 in accordance with transitions in Note 3) (Continued)

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for ECL in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for a presented on a net basis.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its consultancy service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

— the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

— the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

— the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to ECL review.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (upon initial adoption of HKFRS 15 in accordance with transitions in Note 3) (Continued)

Interest income

Interest income from financial asset is recognised as revenue in profit or loss over the terms of the contracts using the effective interest rate, 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.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's amortised cost.

Financial advisory fee income

The Group provides customised financial advisory services to its customers. The Group conducts feasibility studies on various financing solutions, design financing structures and solutions based on the credit profiles of its customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised progressively over time using the cost-to-cost method, i.e. input method based on the proportion of the actual staff costs incurred relative to the estimated total staff costs because the Group has the right to be paid for work done to date if the customer were to cancel the service agreement before the consulting services was fully completed.

Loan facilitation service income

The total service fees are collected partially upfront at the inception of the loan and the remaining fees are collected subsequently on a monthly basis over the loan period. The consideration received from the borrowers generally includes the services fees for facilitating loan origination (matching of investors and borrowers and facilitating the execution of loan agreements) and for providing ongoing monthly services (cash processing services and collection services). The service fee of upfront loan facilitation is recognised as revenue upon execution of loan agreements while the service fee of post loan facilitation services are deferred and recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. When the cash received is different from the revenue recognised, a "Contract Asset" or "Contract Liability" shall be recognised in the consolidated statement of financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Revenue recognition (before initial adoption of HKFRS 15)

Revenue is measured at the fair value of the consideration received or receivable. 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 probably that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from provision of financial advisory services are recognised when the services are rendered by reference to 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 ("RMB'000"). 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currencies (Continued)

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.

4.17 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);

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Related parties (Continued)

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.

(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.

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 adoption 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(i) Timing of satisfaction of performance obligation for financial advisory and post loan facilitation services

The recognition of the financial advisory and post loan facilitation services income requires judgements by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details of the terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

Regarding the financial advisory services, the directors of the Company have assessed that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date pursuant to the PRC laws and regulations. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the financial advisory service fee income is satisfied over time and have recognised such income over the period of services.

The Group considers the loan facilitation services and ongoing management monthly services as distinct performance obligations. In respect of the upfront facilitation services, the directors of the Company have assessed that the customers consume benefits only after the Group performed the obligation (i.e. successfully matched the lenders and the customers and facilitated the execution of agreements), the service fee income is satisfied at a point in time and is recognised as revenue upon the dispatch of loans to customers. In respect of the post loan facilitation services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performance as the Group performs. The Group is required to provide the necessary services to the customers over the loan period. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the service fee income is satisfied over time and have recognised such income over the loan period.

Despite the loan facilitation services and ongoing management monthly services are distinct performance obligations, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margins, customers demand, effect of competition, and other market factors, if applicable.

(ii) Revenue 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(iii) Fair value of contingent consideration payable

As disclosed in Note 21 to the consolidated financial statements, the fair value of the contingent consideration payable in relation to the acquisition of Shenzhen Haosen at the date of acquisition were determined using the probabilistic approach with possible scenarios under different financial forecasts of Shenzhen Haosen. The fair value of the contingent consideration payable at the end of the reporting period was also determined using the probabilistic approach which is primarily based on the financial forecast of Shenzhen Haosen. The application of financial forecast or management accounts requires the Group to estimate whether the profit after tax for the year ended 31 December 2018 and year ending 31 December 2019 respectively, is likely to be met.

(iv) Allowance for ECLs on loan receivables

Before the adoption of HKFRS 9, the Group makes allowance for impairment of loan receivables based on an evaluation of collectability and ageing analysis of the receivables. The impairment loss amount of the individual receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include the observable data indicating that there is a measurable decrease in estimated future cash flows of the individual receivable. The Group periodically reviews its receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. The Group makes judgements as to whether there is any observable data indicating that an impairment loss should be recorded. The evidence may include the current creditworthiness and the credit history as well as the financial conditions of the customer. The methodologies and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and actual loss experience. As at 31 December 2017, there was no allowance for impairment loss of loan receivables is made.

Since the adoption of HKFRS 9 on 1 January 2018, the allowance for ECLs on the loan receivables are estimated based on assumptions about the risk of default and credit risk of respective receivables. The loss allowance amount is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective receivables. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-m ECL or lifetime ECL for respective receivables. An asset will use lifetime ECL when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available customers' historical data and existing and forecast market conditions.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(iv) Allowance for ECLs on loan receivables (Continued)

Model and assumptions used

ECLs on the loan receivables which are not assessed to be credit impaired are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the People's Bank of China ("PBOC") benchmark lending rates; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates, and GDP growth and unemployment rate, etc. Judgements is applied in identifying the most appropriate ECL model as well as for determining the assumption used in the model, including those relate to key drivers of credit risk.

The Group's allowance for ECLs on loan receivables may also take into account the subsequent settlement, collateral valuation and the management's judgement on the effectiveness and marketability of the collateral properties and customers' capability of payment at the estimated valuation and the actual valuation may differ from the estimation.

(v) Estimation of current tax and deferred tax

The Group is subject to income taxes in jurisdictions in which the group entities operates. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with the relevant tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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, small loans, factoring and advisory services, as the executive directors review and assess the performance of the Group as a whole. 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.

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

One (2017: one) customer contributed to 10% or more of the Group's revenue for the year ended 31 December 2018. Revenue earned from this customer amounted to approximately RMB26,103,000 for the year ended 31 December 2018 (2017: RMB42,275,000).

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

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

	2018 RMB'000	2017 RMB'000
Revenue		
Interest income from financial leasing	**43,518**	56,978
Interest income from factoring	**21,295**	9,438
Loan facilitation service income		
— Upfront loan facilitation service income	**8,326**	—
— Post loan facilitation service income	**1,697**	—
	10,023	—
Financial advisory services income		
— Financial leasing advisory services income	**4,280**	26,986
— Other financial advisory service income	**3,930**	3,185
	8,210	30,171
	83,046	96,587
Other income		
Bank interest income	**238**	1,346
Other taxes refund (Note)	**5,181**	—
Dividend income	**1,206**	—
Gain on disposal of property, plant and equipment	**126**	—
Sundry income	**478**	327
	7,229	1,673

Note: The amount represented the one-off refund of excess input value added tax ("VAT"). Following the announcements issued by the China's State Council concerning the VAT, the Ministry of Finance and the State Administration of Taxation promulgated the implementation rules of (i) transition from business tax to VAT and (ii) the change in VAT rates. Such changes were applied to several sectors including finance lease industry, and hence the Group is entitled to the refund upon the application is approved by the relevant authorities.

8. FINANCE COST

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	**33,177**	34,758

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018 RMB'000	2017 RMB'000
Auditor's remuneration		
— Audit services	**833**	579
— Non-audit services (Note)	**1,028**	1,021
	1,861	1,600
Acquisition-related costs incurred (including auditor's remuneration for non-audit services)	**2,269**	—
Employee benefit expenses (including directors' remuneration (Note 10))		
— Salaries, allowances and benefits in kind	**8,342**	6,451
— Retirement benefit scheme contributions	**1,304**	933
— Equity settled share-based payment	**2,040**	—
	11,686	7,384
Equity settled share-based payment (Note 34)		
— Employee benefit expenses	**2,040**	—
— Consultancy fees	**2,040**	—
	4,080	—
Foreign exchange difference, net	**673**	278

Note: Non-audit services for the year ended 31 December 2018 represented the services provided by the Company's auditor for acting as the reporting accountants of the Company in relation to the major and connected acquisition (2017: the services provided by the Company's auditor for acting as the reporting accountants of the Company for the listing and the review services provided relating to interim results of the Group 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	Equity settled share-based payments RMB'000	Total RMB'000
Year ended 31 December 2018					
Executive directors					
Mr. Lo	**506**	**–**	**15**	**–**	**521**
Ms. Chan Shuk Kwan, Winnie ("Ms. Chan")	**506**	**–**	**15**	**–**	**521**
Non-executive director					
Mr. Xie Weiquan ("Mr. Xie")	**101**	**136**	**34**	**340**	**611**
Independent non-executive directors					
Mr. Ha Tak Kong ("Mr. Ha")	**101**	**–**	**–**	**–**	**101**
Mr. Ip Chi Wai ("Mr. Ip")	**101**	**–**	**–**	**–**	**101**
Ms. Hung Siu Woon Pauline ("Ms. Hung")	**101**	**–**	**–**	**–**	**101**
	1,416	**136**	**64**	**340**	**1,956**
Year ended 31 December 2017					
Executive directors					
Mr. Lo	521	–	16	–	537
Ms. Chan	521	–	16	–	537
Non-executive director					
Mr. Xie	104	114	17	–	235
Independent non-executive directors					
Mr. Ha	55	–	–	–	55
Mr. Ip	55	–	–	–	55
Ms. Hung	55	–	–	–	55
	1,311	114	49	–	1,474

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

(a) Directors and chief executive emoluments (Continued)

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

Mr. Ha, Mr. Ip 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 2018 (2017: Nil).

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2017: two) was a director. The emolument of the remaining four (2017: three) non-director individuals, three (2017: four) individuals whose remuneration fell within the band of Nil to HK$1,000,000 (equivalent to approximately RMB843,000) and one (2017: Nil) individuals whose remuneration fell within the band of HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB843,000 to RMB1,318,000) were as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**1,756**	856
Retirement benefit scheme contributions	**142**	213
Equity settled share-based payments	**1,700**	—
	3,598	1,069

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 (2017: 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:

	2018 RMB'000	2017 RMB'000
Nil to HK$1,000,000 (equivalent to approximately RMB843,000)	**3**	4
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB843,000 to RMB1,318,000)	**1**	—

11. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
The charge comprises:		
Current tax for the year		
— PRC Enterprise Income Tax ("EIT")	**11,017**	13,346
Deferred tax credited (Note 25)	**(464)**	—
	10,553	13,346

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 2018 (2017: Nil).

PRC EIT is calculated at 25% (2017: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company as mentioned below. In accordance with relevant laws and regulations in the PRC, enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Zone") are eligible for a reduced EIT rate of 15%, provided that the enterprise is engaged in projects that fall within the Catalogue for EIT Preferential Treatments of the Zone. One of the subsidiaries is entitled to the 15% preferential tax rate for the years 2018 to 2020.

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:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**33,559**	39,734
Tax calculated at the rates applicable to the tax jurisdiction concerned	**8,557**	10,999
Tax effect of non-taxable income	**(302)**	(29)
Tax effect of non-deductible expenses	**2,289**	2,376
Tax effect of tax losses not recognised	**9**	—
Income tax expense	**10,553**	13,346

12. DIVIDENDS

The final dividend of HK3 cents per ordinary share of the Company, totaling HK$4,320,000 (equivalent to approximately RMB3,795,000) proposed after the reporting date, for the year ended 31 December 2018 was not recognised as a liability at the reporting date. In addition, the final dividend is subject to the approval of the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting to be held on 31 May 2019.

13. EARNINGS PER SHARE

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**23,641**	26,388
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	**144,000**	124,175
Effect of dilutive potential ordinary shares — share options (in '000)	**56**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	**144,056**	124,175

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. For the year ended 31 December 2017, 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 26(d)) as if the issuance of shares had occurred on 1 January 2017.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options (Note 34). The calculation of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2018, the conversion of potential ordinary shares in relation to the share option has a dilutive effect to the basic earnings per share. For the year ended 31 December 2017, the diluted earnings per share were equal to the basic earnings per share because the Company has 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 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
Year ended 31 December 2018				
Opening net carrying amount	**654**	**195**	**730**	**1,579**
Acquisition of a subsidiary (Note 30)	**387**	**210**	**855**	**1,452**
Additions	**—**	**140**	**638**	**778**
Depreciation	**(256)**	**(55)**	**(190)**	**(501)**
Exchange realignment	**24**	**2**	**25**	**51**
Closing net carrying amount	**809**	**492**	**2,058**	**3,359**
At 31 December 2018				
Cost	**3,838**	**889**	**2,495**	**7,222**
Accumulated depreciation	**(3,029)**	**(397)**	**(437)**	**(3,863)**
Net carrying amount	**809**	**492**	**2,058**	**3,359**

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments	**357**	2,268
Deposits	**689**	350
Other receivables (Note)	**1,307**	85
	2,353	2,703

Note: The balance included the amount of approximately RMB1,218,000 representing the receivables of one-off refund of excess input VAT that was approved by relevant authorities (Note 7). The balance was subsequently received on 20 February 2019.

16. LOAN AND ACCOUNT RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Financial leasing receivables	(a), (e)	**431,072**	661,514
Factoring loan receivables	(b), (e)	**29,998**	37,950
Small loans receivables	(c), (e)	**18,270**	—
		479,340	699,464
Less: Allowance for ECLs		**(7,200)**	—
		472,140	699,464
Current assets			
Financial leasing receivables	(a), (e)	**307,745**	275,772
Factoring loan receivables	(b), (e)	**202,698**	172,074
Small loans receivables	(c), (e)	**568,607**	—
Account receivables	(d)	**3,602**	30
		1,082,652	447,876
Less: Allowance for ECLs		**(78,452)**	—
		1,004,200	447,876
Total loan and account receivables, net		**1,476,340**	1,147,340

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes:

(a) Financial leasing receivables

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 period for financial leasing contract are normally ranging from 1 to 8 years (2017: 1.5 to 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 4.9% to 18.7% (2017: 5.4% to 15.3%) per annum as at 31 December 2018.

As at 31 December 2018, the Group's financial leasing receivables with net carrying amount of approximately RMB126,415,000 (2017: RMB216,204,000) were carried at fixed-rate and the remaining balances of approximately RMB576,540,000 (2017: RMB721,082,000) were carried at variable-rate.

	Minimum lease payments		Present value of minimum lease payments	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
Financial leasing receivables comprise:				
Within one year	**345,012**	324,652	**307,745**	275,772
More than one year but not exceeding five years	**459,336**	710,367	**431,072**	651,837
More than five years	**–**	9,733	**–**	9,677
	804,348	1,044,752	**738,817**	937,286
Less: Unearned finance income	**(65,531)**	(107,466)	**–**	–
Present value of minimum lease payment	**738,817**	937,286	**738,817**	937,286

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

Financial leasing receivables are mainly secured by the leased assets which are equipment and machinery used in airline, medical, manufacturing, green energy and other transportation industries, certain guarantees and customers' deposits as disclosed in Note 19. 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 period, the carrying amounts of each of the categories of financial leasing receivables based on the industries of the lessees are as follows:

	2018 **RMB'000**	2017 RMB'000
Airline	**540,157**	667,045
Health care service provider	**5,348**	27,373
Energy saving equipment provider	**9,591**	2,299
Public utilities provider	**—**	3,706
Others		
— Logistic service provider	**5,867**	29,802
— Manufacturing (Note (i))	**110,169**	126,036
— Miscellaneous (Note (ii))	**67,685**	81,025
	738,817	937,286

Notes:

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

(ii) Miscellaneous included corporate customers mainly engaged in telecommunication, electronic, hotel and property management industries.

(b) For the factoring loan receivables, the credit period granted to each of the customers is generally for a period of one year to two years (2017: one year to two years). The effective interest rate of the above factoring loan receivables is ranging from 7.2% to 12.0% (2017: 7.7% to 16.3%) per annum as at 31 December 2018.

As at 31 December 2018, the factoring loan receivables were collateralised by the customers' accounts receivables with fair value of approximately RMB341,800,000 (2017: RMB306,810,000).

(c) For the small loans receivables, it primarily represented the micro-credit loans and guaranteed loans granted to the customers. The loan periods granted to each of the customers is generally for a period of one week to five years (2017: Nil). The effective interest rate of the above small loans receivables is ranging from 8.0% to 27.8% (2017: Nil) per annum as at 31 December 2018.

Certain loan receivables are mainly secured by (i) real estates such as buildings with fair values of approximately RMB21,827,000 and (ii) movable properties such as motor vehicles with fair values of approximately RMB22,241,000.

(d) For account receivables, it comprises receivables in respect of upfront loan facilitation services (2017: financial advisory services). The account receivables are recognised when the upfront loan facilitation services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from such services is recognised based on the price stipulated in the contracts. No element of financing is deemed present as the services are made with a credit period not more than one week after revenue recognition.

(e) In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

The directors of the Company consider that the fair values of current portion of loan 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. The fair value of the non-current portion of loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As such, the amortised cost of the non-current portion approximates its fair value.

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

	2018 **RMB'000**	2017 RMB'000
0 to 30 days	**110,010**	60,478
31 to 90 days	**187,546**	80,951
91 to 365 days	**706,644**	306,447
Over 365 days	**472,140**	699,464
	1,476,340	1,147,340

Simplified approach is applied to measure the lifetime ECL for certain of its loan receivables (loan receivables of direct lease under HKAS 17 and loan receivables which are short term in duration (i.e. less than one year) and account receivables) and the remaining loan receivables is measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

Allowance for ECLs on loans to customers are estimated using a calculation model observable data as at the end of the reporting period, including the difference between (i) the interest rates of interest charged by the Group for the loans, and the PBOC benchmark lending rates; and (ii) administrative service cost of the Group. The Group has recognised allowance for ECLs, representing approximately 5.5% of the gross carrying amounts, against all loan and account receivables as at 31 December 2018 due to the collective assessments which indicated that these receivables may not be fully recoverable because of risks associated with the customers and the industries, in which the customers operate.

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

Upon the adoption of HKFRS 9, according to the change in the level of credit risk compared with the level at initial adoption, loan and account receivables are classified into 12-m ECL and Lifetime ECL.

	31 December 2018			1 January 2018		
	Present value of loan and account receivables RMB'000	**Expected credit losses RMB'000**	**Carrying amount RMB'000**	Present value of loan and account receivables RMB'000	Expected credit losses RMB'000	Carrying amount RMB'000
12-m ECL	**412,721**	**(16,756)**	**395,965**	391,323	(9,001)	382,322
Lifetime ECL	**1,149,271**	**(68,896)**	**1,080,375**	756,017	(35,538)	720,479
	1,561,992	**(85,652)**	**1,476,340**	1,147,340	(44,539)	1,102,801

The following is a credit quality analysis of loan and account receivables under HKFRS 9. In the event that an instalment repayment is overdue, the entire outstanding balance of loan and account receivables is classified as overdue.

	2018 RMB'000
Neither overdue nor credit-impaired	**1,465,953**
Overdue but not credit-impaired	
— overdue within 30 days	**27,635**
— overdue within 31 to 90 days	**7,047**
Overdue and credit-impaired	**61,357**
	1,561,992
Less: Allowance for ECLs	**(85,652)**
	1,476,340

As at 31 December 2018, the Group considers the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions as the reporting date, the Group has transferred the 12-m ECL of loan and account receivables into lifetime ECL when there was significant increase in credit risk.

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

The following is a credit quality analysis of loan and account receivables under HKAS 39. In the event that the instalment repayment is overdue, only the balance of this instalment is classified as overdue.

	2017 RMB'000
Neither overdue nor impaired	1,133,935
Overdue within 30 days	5,516
Overdue 30 to 90 days	3,996
Overdue above 90 days	3,893
	1,147,340

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.

As at 31 December 2017, the Group reviewed and assessed 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 were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality for these customers and the balances were still considered fully recoverable.

Movement of allowances for ECLs on loan and account receivables under HKFRS 9 are as follows:

	12-m ECL RMB'000	**Lifetime ECL — not credit impaired** RMB'000	**Lifetime ECL — credit impaired** RMB'000	**Total** RMB'000
As at 1 January 2018	—	—	—	—
Effect arising from adoption of HKFRS 9 (Note a) (Note 3)	9,001	25,023	10,515	44,539
Changes in the loss allowance:				
Transferred to Lifetime ECL — not credit impaired	—	—	—	—
Transferred to Lifetime ECL — credit impaired	—	—	—	—
(Credited)/Charged to profit or loss (Note b)	(18)	(15,566)	17,468	1,884
Acquisition of a subsidiary	7,773	9,625	21,831	39,229
As at 31 December 2018	16,756	19,082	49,814	85,652

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes:

(a) Following the adoption of HKFRS 9 on 1 January 2018, the impairment loss has been assessed using ECL method, with no restatement to prior period comparatives. Refer to Note 3 for information on the adoption of HKFRS 9.

(b) There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for the loan and account receivables.

The analysis of credit-impaired loans of the Group was as follows:

	Gross carrying amount RMB'000	**Allowance for ECLs** RMB'000	**Net carrying amount** RMB'000	**Value of collaterals** RMB'000
Financial leasing receivables	33,256	(26,935)	6,321	47,401
Small loans receivables	28,101	(22,879)	5,222	11,450
	61,357	(49,814)	11,543	58,851

Analysis of the gross carrying amount by the Group's internal credit rating and year ended classification:

	2018 **RMB'000**
Performing	**917,276**
Doubtful*	**583,359**
Default	**61,357**
	1,561,992

* Included in this balance, although the financial leasing customer with balance of approximately RMB540,157,000 is currently able to service the loans and interests, its repayment may be adversely affected by specific factors. If these factors continue, its ability to repay will be seriously affected.

Information about the loan and account receivables and the Group's exposure to credit risk and interest rate risk can be found in Note 33.

In relation to the Group's financial leasing receivables, the Group has taken legal actions against three customers with regards to the overdue instalment repayment. As at 31 December 2018, the total balance of outstanding principal and interest was amounted to approximately RMB32,105,000, of which approximately RMB14,616,000 was considered as overdue instalment. Up to the date of this report, there was no final decision made by the court in respect of the legal proceedings. The directors of the Company, after taking the legal advice into consideration, were of the view that the balances could be fully recovered by the way of enforcement measurement according to the Civil Procedure Law of the People's Republic of China.

16. LOAN AND ACCOUNT RECEIVABLES (Continued)

On 19 March 2018, the Group entered into certain factoring agreements with certain financial institutions and customers in relation to financial leasing receivables of the total balance of outstanding principal and interest amounting to approximately RMB33,056,000, of which approximately RMB7,702,000 had been overdue as at 31 December 2017 but no impairment provision was made. 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 without recourse. During the year, the financial institutions had fully settled such balance.

17. AMOUNTS DUE FROM/(TO) RELATED PARTIES/ULTIMATE HOLDING COMPANY

The amounts due were non-trade in nature, unsecured, interest free and repayable on demand.

The maximum outstanding amounts due from related companies were shown as follow:

Name of related companies	Maximum outstanding during the year 2018 RMB'000	2018 RMB'000	2017 RMB'000
深圳恒豐房地產有限公司	298	286	—
深圳恒豐物業管理有限公司	4	4	—
		290	—

18. 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 2018, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB60,015,000 (2017: RMB25,217,000) 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.

19. DEPOSITS FROM FINANCIAL LEASING CUSTOMERS

	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Deposits from financial leasing customers	**25,543**	34,380
Current liabilities		
Deposits from financial leasing customers	**5,880**	200

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. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that need to be recognised in all years.

20. ACCRUALS AND OTHER PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Accruals	a	**11,569**	1,949
Other payables	b	**5,639**	923
		17,208	2,872

Notes:

(a) During the year ended 31 December 2018, the Group had made provisions for social insurance and housing provident fund in accordance with the Social Insurance Law and Regulations on the Management of Housing Provident Fund of the PRC, amounting to RMB8,216,000 (2017: RMB308,000) as at 31 December 2018. These provisions had not yet been paid as at 31 December 2018.

(b) The balance as at the reporting date represented the other tax payables.

21. CONTINGENT CONSIDERATION PAYABLE

As at 31 December 2018, the balance represented the contingent consideration in relation to the acquisition of Shenzhen Haosen.

	2018 **RMB'000**	2017 RMB'000
Contingent consideration payable, at fair value Acquisition of a subsidiary (Note 30), analysed as	**35,784**	—
Current liabilities	**19,600**	—
Non-current liabilities — More than one year, but not exceeding two years	**16,184**	—
	35,784	—

The acquisition agreement requires the Group to pay the Vendor (defined below) additional consideration of up to RMB39,200,000 in cash depending on whether Shenzhen Haosen's profit after tax meets specified targets. RMB35,784,000 represents the estimated fair value of this obligation at the reporting date.

The potential undiscounted amount of all future payments that the Group is required to make under this arrangement is approximately RMB39,200,000. The contingent consideration was valued by Roma Appraisal Limited ("Roma"), an independent and registered professional firm of valuers, as at 24 December 2018, by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate. The subsequent changes in fair value of contingent consideration is to be recognised in the profit or loss.

The inputs into the valuation were as follows:

	As at date of acquisition and year end date RMB'000
Profit condition set by the Vendor for the year ended 31 December 2018	14,000
Profit condition set by the Vendor for the year ending 31 December 2019	16,000
Projected profit after tax of Shenzhen Haosen for the year end 31 December 2018	15,293
Projected profit after tax of Shenzhen Haosen for the year ending 31 December 2019	18,164
Discount rate	11.4%

The fair value of the contingent consideration payable as at date of acquisition, i.e. 24 December 2018, was estimated to be approximately the fair value as at 31 December 2018.

21. CONTINGENT CONSIDERATION PAYABLE (Continued)

The fair value of the contingent consideration payable, classified as Level 3, was determined using the probabilistic approach and significant unobservable inputs are as follows:

Significant unobservable inputs	Relation of unobservable inputs with the fair value
Probability of each possible scenario of financial performance of Shenzhen Haosen	The higher probability of better financial performance, the higher fair value of the contingent consideration, and vice versa.
Discount rate	The higher discount rate, the lower fair value of the contingent consideration, and vice versa.

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 AND OTHER BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Bank borrowings — secured*:		
Within one year	**252,351**	117,569
More than one year, but not exceeding two years	**149,020**	147,569
More than two years, but not exceeding five years	**256,600**	393,868
More than five years	**—**	9,677
Other borrowings — unsecured		
Within one year	**50,244**	—
	708,215	668,683
Less: Amount shown under current liabilities	**(302,595)**	(117,569)
Amount shown under non-current liabilities	**405,620**	551,114

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

As at 31 December 2018, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (2017: 105% to 110%) of the benchmark rate offered by the PBOC and the other borrowings carried annual interest of 16% per annum (2017: Nil). As at 31 December 2018, the effective interest rates of the Group's secured bank borrowings were ranging from 5.0% to 8.2% (2017: 4.5% to 5.0%) per annum and that of the unsecured other borrowings was 16% (2017: Nil).

23. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2018, all (2017: all) of the Group's bank borrowings were secured by charges over certain leased assets and financing leasing receivables except for one bank borrowing amounting to RMB100,000,000 (2017: Nil) which were secured by charges over one property with fair value of approximately RMB74,975,000 (which is jointly owned by Mr. Lo and his wife) and one property with fair value of approximately RMB32,903,000 (which is owned by Mr. Wang Jiansen, brother of a shareholder of a related company) and jointly guaranteed by a related company, Mr. Lu Nuan Pei ("Mr. Lu"), Mr. Lo's sibling, who is the ultimate controlling party of the related company and his wife, with an aggregate amount up to RMB100,000,000.

As at 31 December 2018, the Group's unsecured other borrowing was jointly guaranteed by a related company and Mr. Lu (with an aggregate amount up to RMB150,000,000).

24. PROMISSORY NOTE

	2018 **RMB'000**	2017 RMB'000
Acquisition of a subsidiary (Note 30)	**75,846**	—
Analysed as: Non-current liabilities — More than two years, but not exceeding five years	**75,846**	—

To settle part of the consideration relating to the acquisition of a subsidiary, the Group issued a promissory note with principal face value of RMB109,690,000 which is unsecured, carries interest of 3.5% per annum and will mature in a 60-month term in favour of the Vendor (as defined below) (or its nominee). Under the terms of the promissory note, the Company may redeem all or part of the outstanding principal amount of the promissory note at any time between the issue date and the day prior to the maturity date.

The promissory note is separated into their two components at initial recognition: the liability component and the derivative component. In the opinion of directors of the Company, the fair value of the derivative component is insignificant and hence the derivative component is not separately accounted for.

On initial recognition, the fair value as at the date of acquisition (i.e. 24 December 2018) is determined by Roma by using discounted cash flow method which based on the present value of the contractual stream of future cash flows discounted at the effective interest rate of 11.9% to 12.1% per annum, taking into account (i) interest rate determined with reference to the yields of China 5-year government bonds and treasury bills; (ii) credit spread determined with reference to the premium compensated from the market comparables with the same credit rating as the Company; and (iii) country risk determined with reference to the default spread of the PRC.

After initial recognition, the promissory note is measured at amortised cost with the effective interest method. The fair value of the promissory note as at the date of acquisition (i.e. 24 December 2018), was estimated to be approximate the carrying amount as at 31 December 2018.

25. DEFERRED TAX ASSETS

	Allowance for ECLs RMB'000
At 31 December 2017	—
Initial adoption of HKFRS 9 (Note 3)	11,135
At 1 January 2018	11,135
Credited to profit or loss (Note 11)	464
Acquisition of a subsidiary (Note 30)	9,807
As at 31 December 2018	21,406

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 RMB171,356,000 as at 31 December 2018 (2017: RMB118,477,000) 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.

26. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.01 of each		
Authorised:		
At 1 January 2017	39,000,000	390
Increase in authorised share capital (note b)	19,961,000,000	199,610
At 31 December 2017 and 31 December 2018	20,000,000,000	200,000

	Number of ordinary shares	Amount
		RMB'000
Issued and fully paid:		
At 1 January 2017	1,000	—*
Issue of shares upon Share Offer (note c)	36,000,000	312
Capitalisation issue of shares (note d)	107,999,000	936
At 31 December 2017 and 31 December 2018	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 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 approximately 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 approximately RMB173,142,000), before issue expenses, were credited to the share premium account.

(d) 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 approximately HK$1,079,000 (equivalent to approximately 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.

27. 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) Share-based payment reserve

Share-based payment reserve represents the portion of grant date fair value of unexercised share options of the Company.

(iii) Exchange reserve

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

(iv) 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. During the year, the negative goodwill of approximately RMB21,341,000 arising from the acquisition of subsidiary (Note 30) with the Vendor (as defined below) which is under control of Mr. Lo's sibling was deemed as capital contribution from equity participants and credited to other reserve.

(v) 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.

28. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**496**	735
Investments in subsidiaries	(a)	**413,605**	400,659
		414,101	401,394
Current assets			
Prepayments and deposits		**321**	264
Due from a director	(b)	**–**	4,521
Cash and cash equivalents		**1,100**	14,971
		1,421	19,756
Current liabilities			
Accruals		**905**	529
Due to ultimate holding company	(b)	**–**	63
Due to subsidiaries	(b)	**13,384**	12,566
		14,289	13,158
Net current (liabilities)/assets		**(12,868)**	6,598
Net assets		**401,233**	407,992
EQUITY			
Share capital	26	**1,248**	1,248
Reserves	(c)	**399,985**	406,744
Total equity		**401,233**	407,992

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019 and were signed on its behalf by

Lo Wai Ho	**Xie Weiquan**
Executive Director	*Non-executive Director*

28. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Investments in subsidiaries

	2018 RMB'000	2017 RMB'000
Unlisted equity investments (Note 36(a))	**413,605**	400,659

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

(c) Reserves

	Proposed final dividend RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000 (Note)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	—	—	—	(30)	269,153	(885)	268,238
Comprehensive expense:							
Loss for the year	—	—	—	—	—	(19,080)	(19,080)
Other comprehensive expense:							
Exchange differences arising on translation of functional currency	—	—	—	(6,137)	—	—	(6,137)
	—	—	—	(6,137)	—	(19,080)	(25,217)
Transaction with equity holders of the Company							
Issue of shares upon Share Offer (Note 26(c))	—	173,142	—	—	—	—	173,142
Capitalisation issue of shares (Note 26(d))	—	(936)	—	—	—	—	(936)
Expenses incurred in connection with issue of shares	—	(8,483)	—	—	—	—	(8,483)
At 31 December 2017 and 1 January 2018	—	163,723	—	(6,167)	269,153	(19,965)	406,744
Comprehensive expense:							
Loss for the year	—	—	—	—	—	(12,299)	(12,299)
Other comprehensive expense:							
Exchange differences arising on translation of functional currency	—	—	—	1,460	—	—	1,460
	—	—	—	1,460	—	(12,299)	(10,839)
Transactions with the equity holders of the Company:							
Equity settled share-based Transactions (Note 34)	—	—	4,080	—	—	—	4,080
	—	—	4,080	—	—	—	4,080
Proposed final dividend (Note 12)	3,795	(3,795)	—	—	—	—	—
At 31 December 2018	3,795	159,928	4,080	(4,707)	269,153	(32,264)	399,985

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.

29. 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 31) and independent third parties at the reporting period as below:

	2018 **RMB'000**	2017 RMB'000
Within one year	**4,126**	993
Within two to five years	**4,214**	1,573
	8,340	2,566

The Group leases certain properties under operating lease. As at 31 December 2018, leases generally run for an initial period of one to five (2017: one to three) years. None of the lease include any contingent rents.

30. ACQUISITION OF A SUBSIDIARY

On 9 May 2018, the Group entered into a capital increase agreement with a related company, a company in which Mr. Lu, the sibling of Mr. Lo, is the controlling shareholder, (the "Vendor") under which the Group agreed to make a cash contribution of RMB32,000,000 for increase of the registered capital of Shenzhen Haosen which represented 8% equity interest in Shenzhen Haosen. Further, pursuant to the acquisition agreement dated 22 August 2018, the Group conditionally agreed to acquire and the Vendor conditionally to sell 47% of the issued share capital of Shenzhen Haosen in accordance with the terms and conditions of the acquisition agreement.

Upon the completion of acquisition on 24 December 2018, the Group owned an aggregate of 55% equity interests in Shenzhen Haosen which was accounted for as a indirectly non-wholly owned subsidiary. Shenzhen Haosen is principally engaged in the provision of small loans in Shenzhen.

In accordance with the acquisition agreement, the consideration comprised of (i) initial purchase price of RMB47,010,000 to be settled in cash and (ii) 3.5% interest bearing promissory note with principal amount of RMB109,690,000 and a term of 60 months.

The Group has agreed to pay additional contingent consideration to the Vendor in relation to the financial performance of Shenzhen Haosen for the year ended 31 December 2018 and the year ending 31 December 2019. In case of Shenzhen Haosen met the minimum profit condition (audited net profit after tax prepared according to the PRC accounting standard) of RMB14,000,000 ("2018 Profit Condition") and RMB16,000,000 ("2019 Profit Condition") for the year ended 31 December 2018 and the year ending 31 December 2019 respectively, the total consideration should be adjusted upward up by RMB39,200,000. However, in the event of failure to satisfy the 2018 Profit Condition, but 2019 audited profit is not less the sum of the amount of the 2019 Profit Condition and the shortfall in the amount of the 2018 Profit Condition, the consideration shall be adjusted upwards by RMB39,200,000.

30. ACQUISITION OF A SUBSIDIARY (Continued)

	Notes	RMB'000
Cash consideration		
— First subscription on 9 May 2018		32,000
— Acquisition on 22 August 2018		47,010
Promissory notes	24	75,846
Contingent consideration payable	21	35,784
Total cost of the acquisition		190,640

The allocation of the purchase consideration to Shenzhen Haosen's identifiable assets and liabilities acquired is determined with reference to the valuation results of Shenzhen Haosen as at 24 December 2018 issued by Roma.

The fair value of the identifiable assets and liabilities arising from the acquisition is calculated as follows:

	Notes	2018 RMB'000
Property, plant and equipment	14	**1,452**
Deferred tax assets	25	**9,807**
Loan receivables		**547,648**
Prepayments, deposits and other receivables		**508**
Amounts due from related parties		**251**
Tax recoverable		**410**
Cash and cash equivalents		**4,415**
Amount due to a related party		**(838)**
Accruals and other payables		**(14,136)**
Dividend payable to non-controlling interests		**(13,768)**
Bank and other borrowings		**(150,329)**
		385,420
Less: Non-controlling interests		**(173,439)**
Net assets acquired		**211,981**
Total consideration transferred		**(190,640)**
Gain on bargain purchase recognised in the statement of changes in equity		**21,341**
Cash consideration paid		**(79,010)**
Less: Cash and cash equivalents balances acquired		**4,415**
Net cash outflow arising from acquisition		**(74,595)**

30. ACQUISITION OF A SUBSIDIARY (Continued)

The gain arising from acquisition is recognised in the consolidated statement of changes in equity as deemed contribution from equity participants as the Company and Shenzhen Haosen are under the control of the Mr. Lo, the ultimate shareholder of the Company, and his sibling, respectively.

Acquisition-related costs amounting to approximately RMB2,269,000 (Note 9) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "Other operating expenses" line item in the consolidated statement of comprehensive income.

Since its acquisition, Shenzhen Haosen did not contribute any revenue or net profit to the Group for the period from 24 December 2018 to 31 December 2018.

Had the combination been taken place on 1 January 2018, the revenue and the net profit of the Group for the year ended 31 December 2018 would have been RMB168,986,000 and RMB30,900,000 respectively. This pro forma information is for illustrative purpose only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor are they intended to be a projection of future results.

The fair value of the acquired loan receivable was approximately RMB547,648,000. The gross contractual amount of the loan receivable was approximately RMB585,913,000, of which approximately RMB38,265,000 is expected to be uncollectable.

31. 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

	Notes	**2018** **RMB'000**	2017 RMB'000
Operating lease expense paid to a related company	(i), (ii)	**577**	499
Building management fee paid to a related company	(i)	**283**	205
Hospitality expense for functions in the hotel paid to a related company	(i)	**263**	270

Notes:

(i) Mr. Lo's sibling, Mr. Lu, is the ultimate controlling party of the related companies.

(ii) Operating lease payments of approximately RMB577,000 (2017: RMB499,000) were paid to a related company of the Group during the year ended 31 December 2018. The operating leases were charged at approximately RMB55,650 (2017: RMB43,650) per month and the lease terms will be expired by 30 June 2023, and no future minimum lease payments under non-cancellable operating lease in respect of such properties (2017: Nil) as at 31 December 2018.

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

All of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The above transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

31. 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:

	2018 RMB'000	2017 RMB'000
Directors' fees	**1,416**	1,311
Salaries, allowances and benefits in kind	**1,603**	1,050
Retirement benefit scheme contributions	**307**	294
Equity-settled share-based payment	**680**	—
	4,006	2,655

32. 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	
	2018 RMB'000	2017 RMB'000
Financial assets		
At amortised costs		
Financial leasing receivables	**702,955**	937,286
Factoring loan receivables	**224,086**	210,024
Small loans receivables	**545,766**	—
Account receivables	**3,533**	30
Deposits and other receivables	**1,996**	435
Cash and cash equivalents	**61,201**	55,973
	1,539,537	1,203,748
Financial liabilities		
At amortised costs		
Deposits from financial leasing customers	**31,423**	34,580
Due to related parties	**845**	1,646
Due to ultimate holding company	**—**	4,327
Accruals and other payables	**3,789**	2,872
Dividend payable to non-controlling interests	**13,768**	—
Bank and other borrowings	**708,215**	668,683
Promissory note	**75,846**	—
At fair value		
Contingent consideration payable	**35,784**	—
	869,670	712,108

33. 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, bank and other borrowings (see Notes 16(a), 18 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 and small loans receivables and promissory note (see Notes 16(a), (b) and 24 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 and other 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. 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates of financial leasing receivables and bank and other borrowings 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.

33. 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:

	2018		2017	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	−1%	+1%	−1%
Increase/(decrease) in profit for the year and retained profits	4,324	(4,324)	5,408	(5,408)

(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:

	2018		2017	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	−1%	+1%	−1%
Increase/(decrease) in profit for the year and retained profits	228	(228)	210	(210)

(c) If the benchmark interest rates of the variable rate bank and other 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:

	2018		2017	
	RMB'000	RMB'000	RMB'000	RMB'000
	+1%	−1%	+1%	−1%
(Decrease)/increase in profit for the year and retained profits	(4,892)	4,892	(5,015)	5,015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group is exposed to credit risk in relation to its financial leasing receivable, factoring loan receivables, loan and accounts receivables.

Group's exposure to credit risk before adoption of HKFRS 9 since 1 January 2018

The Group's credit risk is primarily the risk of the loan receivable unable to meet its contractual obligation.

The Group implemented standardised management procedures over the processes of project target customers selection, the project due diligence and application, project credit review and approval, post-lending monitoring, management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the optimisation of the portfolio of receivables, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's receivables, and the adverse effects will increase the possibility of losses incurred by the Group. The business development, risk management department in charge of different industries are responsible for the management of credit risks, and periodically report on the quality of assets to the management of the Company.

Group's exposure to credit risk after adoption of HKFRS 9 since 1 January 2018

The Group's credit risk is primarily the risk of the receivable unable to meet its contractual obligation. The Group's main income generating activity is supply the financing services to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purpose.

(i) Credit risk management

The Group manages, limits, and controls the concentration of credit risk and, as far as possible, avoid risks concentration on single customer and industry. Analysis of the Group's financial leasing receivables by industry sectors are set forth in Note 16.

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the customers' ability to repay the principal and interest, real time supervision of the actual repayment status during the projects to manage the credit risk.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(i) Credit risk management (Continued)

Other specific management and mitigation measures include:

Guarantee and collateral

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral, pledge, security deposit and guarantee from an enterprise or individual.

According to the relevant PRC laws and regulations, the Group as the owner of the assets, has the right to establish usufructuary right and security interest over the assets. Therefore, the laws protect the Group's effective right. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain customers, depending on the customers' credit status and credit risk degree. The management evaluates the capability of the guarantor, the ownership and value of the mortgage or pledge and the feasibility to realise the mortgage or pledge.

(ii) Measurement of ECLs

Significant increase in credit risk

As explained in Note 3, the Group monitors all financial assets that are subject to impairment requirements to assess there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-m ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group monitors the credit risk exposure individually for certain financial assets with significant balances. Moreover, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of the risk of default and applying experienced credit judgement. The nature of the exposure and type of customers are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect the latest information.

The Group uses credit risk grades to determine whether there has been significant increase in credit risk. The Group gathers performance and default information about the customers' credit risk exposures, with reference to the type of assets under the financing arrangement.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

Internal credit risk ratings (Continued)

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increase in credit risk are effective, meaning that significant increase in credit risk is identified when the asset becomes 30 days past due. The Group performs periodic back-testing of its rating to consider the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group uses the external information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, etc.

Measurement of ECL

As explained above, the ECLs are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the PBOC benchmark lending rates; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates. The forward looking information including GDP growth rates, unemployment rates would be also incorporated in the calculation, when applicable.

The following table shows the Group's credit risk grading framework (with the allowance of ECLs):

Category	Description	Account receivables/ direct lease	Other financial assets/ other items
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired	Lifetime ECL — not credit impaired	12-m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired	Lifetime ECL — not credit impaired	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL — credit impaired	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Relevant information with regard to the exposure of credit risk and ECLs for receivables as at 31 December 2018 are set out in Notes 16.

The Group's exposure under financial leasing and factoring loan receivables were secured by the leased assets, collaterals, certain guarantees and customers' deposits as disclosed in Note 16. The Group does not hold any collaterals nor receive any guarantees in respect of the other loan receivables and account receivables.

The Group's maximum exposure to credit risk is primarily attributable to loan and account receivables. As at 31 December 2018, 36.4% (2017: 57.5%) and 47.2% (2017: 65.2%) 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.

The Group always recognises simplified approach and recorded lifetime ECLs for the financial leasing receivables and account receivables and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances.

For deposits and other receivables, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-m ECL, since there has not been a significant increase in credit risk since initial recognition for the deposits and other receivables.

The credit risk on bank balances is minimal as the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 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 2018							
Financial assets							
Loan and account receivables	61,039	313,274	778,812	510,246	–	1,662,371	1,476,340
Deposits and other receivables	1,996	–	–	–	–	1,996	1,996
Cash and cash equivalents	61,201	–	–	–	–	61,201	61,201
Total financial assets	124,236	312,274	778,812	510,246	–	1,725,568	1,539,537
Financial liabilities							
Deposits from financial leasing customers	–	–	5,880	25,543	–	31,423	31,423
Due to related parties	845	–	–	–	–	845	845
Accruals and other payables	3,789	–	–	–	–	3,789	3,789
Dividend payable to non-controlling interests	13,768	–	–	–	–	13,768	13,768
Contingent consideration payable	–	–	19,600	19,600	–	39,200	35,784
Bank and other borrowings	–	53,499	288,885	434,725	–	777,109	708,215
Promissory note	–	–	3,839	125,047	–	128,886	75,846
Total finance liabilities	18,402	53,499	318,204	604,915	–	995,020	869,670
Financial assets over financial liabilities	105,834	258,775	460,608	(94,669)	–	730,548	669,867

33. 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 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 and other 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

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 measurement

(i) Financial instruments not measured at fair value

Except for the below, 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Fair value measurement (Continued)

(ii) Financial instruments measured at fair value

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

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair values measured using significant unobservable input.

	2018		
	Level 1	**Level 2**	**Level 3**
	RMB'000	**RMB'000**	**RMB'000**
Financial liabilities at fair value through profit or loss — contingent consideration payable	**—**	**—**	**35,784**

There were no financial instruments measured at fair value as at 31 December 2017. There were no transfers between the three Levels during the year and in last year.

34. EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to a resolution passed by the Company's shareholders at the annual general meeting held on 4 July 2017, the Company adopted a share option scheme (the "Scheme").

Particulars of the Scheme are set out bellows:

Purpose of the Scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and enable the Group to attract and retain the employees of appropriate qualifications and with necessary experience to work for the Group in which any member of the Group holds any equity interest.

Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company in accordance with the provisions of the Scheme.

Total number of shares available for issue under the Scheme

Under the Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the Scheme if the grant of such option will result in the limit being exceeded. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the Company's shares in issue from time to time.

Maximum entitlement of each participant

No Participants shall be granted an option if total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

34. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Period within which the share must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than one years from the date of grant of the option subject to the provisions of early termination thereof and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 21 days from the date of offer of the option.

Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the board of directors, but in any case will not be less than the highest of:

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;

(2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading immediately preceding the date of the offer; or

(3) the nominal value of a share.

Remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption (i.e. 19 June 2017 and ending on 18 June 2027), after which no further options will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to otherwise as may be required in accordance with the provision of the Scheme.

34. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Details of share options granted under the Scheme are as follows:

	Share options by grant date 4 July 2018
Number of ordinary shares issued upon exercise:	
— Director	360,000
— Senior management	360,000
— Employees	1,440,000
— External consultants	2,160,000
Exercise price	HK$6.02 (equivalent to RMB 5.09)
Contractual option term	One year
Expiry date	4 July 2019

For the share options granted, neither vesting conditions nor vesting period were imposed on the grantees to exercise their share options.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2018, share-based payment expense of RMB4,080,000 for the share option scheme was recognised in the consolidated statement of comprehensive income (2017: Nil) (Note 9) with a corresponding credit in share-based payment reserve.

Details in the exercise prices and the movement of number of share options outstanding and exercisable as at 31 December 2018 are as follows:

			Number of share options			
Grant date	Exercise price per share option HK$	Equivalent to RMB	As at 1 January 2018	Granted during the year	Lapsed/ Forfeited during the year	As at 31 December 2018
4 July 2018	6.02	5.09	—	4,320,000	—	4,320,000

The external consultants were engaged to advise on the business expansion through strategic development in the money lending business as well as the potential acquisition. In the opinion of the directors of the Company, the fair value of services cannot be measured reliably and the Group should measure the services rendered the external consultants by reference to the fair value of share options granted.

34. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, GW Financial Advisory Services Limited using the Black-Scholes option pricing model and significant inputs into the model were as follows:

	Share options by grant date 4 July 2018
Expected volatility	46.87%
Expected option life	1 year
Expected dividend yield	0.00%
Annual risk-free interest rate	1.784%

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

35. 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 equity holders 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 and other borrowings as set out in Note 23, cash and bank balances and total equity, comprising equity attributable to equity owners of the Company and non-controlling interest.

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.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

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 2018	2017	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 (深圳市富道金融服務有限公司*)	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 a)	**100%**	100%	Not yet commenced business
Wealthy Way Commercial Factoring Limited (深圳市富道商業保理有限公司*)	The PRC	RMB100,000,000	**100%**	–	Provision of factoring
Wealth Way Information Technology Limited (深圳市富道信息科技有限公司*)	The PRC	(Note b)	**100%**	–	Provision of loan facilitation services
Shenzhen Haosen Credit Joint Stock Limited ("Shenzhen Haosen") (深圳市浩森小額貸款股份有限公司*)	The PRC	RMB400,000,000 (Note c)	**55%**	–	Provision of small loans

* 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:

(a) 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 2018, 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 (2017: RMB1,000,000).

(b) Wealth Way Information Technology Limited is a wholly-owned enterprise with an operating period of 30 years commencing from 12 July 2018. Wealth Way Information Technology Limited 's registered capital amounted to RMB10,000,000. As at 31 December 2018, no registered capital of Wealth Way Information Technology Limited has been paid-up and the Group therefore had an outstanding investment commitment of RMB10,000,000 in Wealth Way Information Technology Limited.

(c) During the year, the Group acquired 55% equity interests of Shenzhen Haosen. Further details of this acquisition are disclosed in Note 30 to the consolidated financial statements.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(b) Partly-owned subsidiary with material non-controlling interests

Financial information of Shenzhen Haosen which is the only subsidiary of the Group which has a material non-controlling interest is summarised below. The amounts disclosed are before any inter-company elimination:

	RMB'000
NCI percentage	45%
As at 31 December 2018	
Current assets	537,842
Non-current assets	24,827
Current liabilities	(178,660)
Non-current liabilities	–
Net assets	384,009
Carrying amount of NCI	172,804
For the year ended 31 December 2018	
Revenue	85,940
Profit for the year	7,894
Total comprehensive income for the year	7,894
Loss allocated to NCI	(635)
Dividend paid to NCI	(13,768)
For the year ended 31 December 2018	
Cash flows used in operating activities	(108,950)
Cash flows used in investing activities	(184)
Cash flows generated from financing activities	100,000
Net cash outflows	(9,134)

37. 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 17)	Due to ultimate holding company RMB'000 (Note 17)	Bank and other borrowings RMB'000 (Note 23)	Promissory note RMB'000 (Note 24)	Total RMB'000
At 1 January 2018	1,646	4,327	668,683	—	674,656
Changes from financing cash flows:					
Repayment to related parties	(1,639)	—	—	—	(1,639)
Repayment to ultimate holding company	—	(4,327)	—	—	(4,327)
Proceeds from bank loans	—	—	8,300	—	8,300
Repayment of bank loans	—	—	(119,097)	—	(119,097)
Interest paid on bank loans	—	—	(33,177)	—	(33,177)
Other changes:					
Interest expenses (Note 8)	—	—	33,177	—	33,177
Acquisition of a subsidiary (Note 30)	838	—	150,329	75,846	227,013
Total change	(801)	(4,327)	39,532	75,846	110,250
Exchange adjustments	—	—	—	—	—
At 31 December 2018	845	—	708,215	75,846	784,906
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	(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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**83,046**	96,587	71,243	53,457	35,545
Profit before income tax	**33,559**	39,734	42,215	34,297	29,353
Income tax expense	**(10,553)**	(13,346)	(12,655)	(9,558)	(7,599)
Profit for the year from continuing operations	**23,006**	26,388	29,560	24,739	21,754
Profit for the year from discontinued operations	**—**	—	—	—	336
Profit attributable to the owners of the Company	**23,641**	26,388	29,560	24,739	22,090

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,565,359**	1,207,595	696,034	629,517	303,103
Total liabilities	**888,910**	721,094	397,170	365,313	63,474
	676,449	486,501	298,864	264,204	239,629
Equity attributable to the owners of the Company	**503,645**	486,501	298,864	264,204	239,629