FY FINANCIAL (SHENZHEN) CO., LTD.
富銀融資租賃(深圳)股份有限公司

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

(Stock Code: 8452)

ANNOUNCEMENT FOR THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**", each a "**Director**") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2017. All amounts set out in this announcement are expressed in Renminbi ("**RMB**") unless otherwise indicated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB***	*RMB*
Revenue	*6*	**63,817,243**	39,871,504
Direct costs		**(16,225,160)**	(12,193,041)
Gross profit		**47,592,083**	27,678,463
Other income and gains	*6*	**3,662,442**	1,546,271
Operating expenses		**(6,151,395)**	(3,861,665)
Administrative expenses		**(13,021,400)**	(11,169,317)
Provision for impairment loss on accounts receivable, net		**(1,202,045)**	(2,501,182)
Listing expenses		**–**	(9,400,117)
Profit before income tax	*7*	**30,879,685**	2,292,453
Income tax expense	*8*	**(7,514,926)**	(1,495,768)
Profit and total comprehensive income for the period attributable to equity owners of the Company		**23,364,759**	796,685
		RMB cents	*RMB cents*
Earnings per share:	*9*		
– Basic		**6.50**	0.3
– Diluted		**6.50**	0.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** *RMB*	31 December 2017 *RMB*
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	*11*	**938,829**	610,441
Pledged bank deposit		**3,009,000**	–
Intangible assets		**659,556**	–
Accounts receivable	*12*	**577,318,518**	588,345,948
Deferred tax assets		**5,421,064**	4,772,528
		587,346,967	593,728,917
Current assets			
Accounts receivable	*12*	**671,173,277**	674,951,626
Prepayments, deposits and other receivables		**32,583,623**	26,392,929
Pledged bank deposit		**524,700**	–
Structured bank deposits		**60,000,000**	–
Cash and cash equivalents		**37,833,296**	35,007,495
		802,114,896	736,352,050
Current liabilities			
Other payables and accruals		**60,849,286**	60,652,839
Receipts in advance		**3,170,264**	2,711,801
Tax payables		**3,952,380**	4,016,526
Amount due to an intermediate holding company	*15*	**78,276,950**	–
Interest-bearing bank and other borrowings	*13*	**663,734,841**	694,305,147
		809,983,721	761,686,313
Net current liabilities		**(7,868,825)**	(25,334,263)
Total assets less current liabilities		**579,478,142**	568,394,654
Non-current liabilities			
Receipts in advance		**2,996,204**	3,200,769
Deposits from finance lease customers and suppliers		**137,421,466**	140,950,616
		140,417,670	144,151,385
Net assets		**439,060,472**	424,243,269
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**359,340,000**	359,340,000
Reserves		**79,720,472**	64,903,269
Total equity		**439,060,472**	424,243,269

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital *RMB*	Merger reserve* *RMB*	Capital reserve* *RMB*	Statutory reserve* *RMB*	(Accumulated losses)/ retained profits* *RMB*	Total equity *RMB*
At 1 January 2017	269,500,000	1,582,035	26,667,317	2,578,936	8,956,450	309,284,738
Profit and total comprehensive income for the period	–	–	–	–	796,685	796,685
Transactions with owners:						
Issuance of H Shares *(note 14)*	89,840,000	–	13,951,150	–	–	103,791,150
Share issue expenses *(note 14)*	–	–	(9,521,628)	–	–	(9,521,628)
	89,840,000	–	4,429,522	–	–	94,269,522
At 30 June 2017	359,340,000	1,582,035	31,096,839	2,578,936	9,753,135	404,350,945
At 31 December 2017 as originally presented	359,340,000	1,582,035	31,096,839	5,708,426	26,515,969	424,243,269
Initial application of HKFRS 9 *(note 3)*	–	–	–	–	(1,360,756)	(1,360,756)
Restated at 1 January 2018	359,340,000	1,582,035	31,096,839	5,708,426	25,155,213	422,882,513
Profit and total comprehensive income for the period	–	–	–	–	23,364,759	23,364,759
2017 final dividend paid	–	–	–	–	(7,186,800)	(7,186,800)
At 30 June 2018	359,340,000	1,582,035	31,096,839	5,708,426	41,333,172	439,060,472

* *The aggregate balances of these reserves amounting to RMB79,720,472 (six months ended 30 June 2017: RMB45,010,945) are included as reserves as at 30 June 2018 in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
Cash flows from operating activities		
Profit before income tax	**30,879,685**	2,292,453
Adjustments for:		
Bank interest income	**(59,014)**	(12,769)
Depreciation of plant and equipment	**145,713**	131,944
Amortisation	**47,111**	–
Interest income from available-for-sale financial assets	**–**	(519,231)
Interest income from short-term investments	**–**	(375,507)
Provision for impairment loss on accounts receivables, net	**1,202,045**	2,501,182
Loss on disposal of plant and equipment	**800**	722
Operating profits before working capital changes	**32,216,340**	4,018,794
Decrease/(increase) in accounts receivable	**12,242,978**	(54,298,912)
(Increase)/decrease in prepayments, deposits and other receivables	**(6,190,694)**	12,404,720
Increase/(decrease) in other payables and accruals	**196,447**	(11,636,785)
Increase/(decrease) in receipts in advance	**253,898**	1,645,282
(Decrease)/increase in deposits from finance lease customers and suppliers (non-current portion)	**(3,529,150)**	10,100,399
Cash generated from/(used in) operating activities	**35,189,819**	(37,766,502)
Interest received	**59,014**	12,769
Income tax paid	**(8,227,608)**	(1,816,114)
Net cash generated from/(used in) operating activities	**27,021,225**	(39,569,847)

	Notes	Six months ended 30 June 2018 RMB	2017 RMB
Cash flows from investing activities			
Purchase of available-for-sale financial assets		–	(1,702,507,000)
Proceeds from disposal of available-for-sale financial assets		–	1,702,507,000
Interest received from available-for-sale financial assets		–	519,231
Interest received from short-term investments		–	375,507
Purchase of plant and equipment		**(474,901)**	(26,517)
Purchase of intangible assets		**(706,667)**	–
(Placement)/release of pledged bank deposits		**(3,533,700)**	–
(Placement)/release of structured bank deposits		**(60,000,000)**	–
Net cash (used in)/generated from investing activities		**(64,715,268)**	868,221
Cash flows from financing activities			
Proceeds from issuance of H Shares	*14*	–	103,791,150
Dividend paid		**(7,186,800)**	–
Proceeds from interest-bearing bank borrowing		**93,448,425**	–
Share issue expenses	*14*	–	(9,521,628)
Increase in amount due to an intermediate holding company		**78,276,950**	–
Repayment of interest-bearing bank and other borrowings		**(124,018,731)**	(29,531,929)
Net cash generated from financing activities		**40,519,844**	64,737,593
Net increase in cash and cash equivalents		**2,825,801**	26,035,967
Cash and cash equivalents at beginning of period		**35,007,495**	40,918,934
Cash and cash equivalents at end of period		**37,833,296**	66,954,901
Analysis of cash and cash equivalents:			
Cash at banks and in hand		**37,833,296**	66,954,901

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PRESENTATION

The condensed consolidated interim financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). In addition, the condensed consolidated interim financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2017 as set out in the annual report of the Company dated 22 March 2018, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3. The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

This announcement contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the audited financial statements for the year ended 31 December 2017. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with 2017 consolidated financial statements.

The condensed consolidated interim financial statements are unaudited and have been prepared under historical cost convention. The condensed consolidated interim financial statements are unaudited but have been reviewed by BDO Limited, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certificated Public Accountants ("**HKICPA**").

The condensed consolidated interim financial statements are presented in RMB, which is also the functional currency of the Company, unless otherwise indicated.

3. APPLICATION OF HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3(a) below) and HKFRS 15 Revenue from Contracts with Customers (see note 3(b) below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the group's accounting policies.

(a) HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

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

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

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

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

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

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

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

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

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

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

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

	RMB
Retained profits	
Retained profits as at 31 December 2017	26,515,969
Increase in expected credit losses (“**ECLs**”) in accounts receivable (note 3A(ii) below)	(1,360,756)
Restated retained earnings as at 1 January 2018	25,155,213

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

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

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

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

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

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

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

(ii) *Impairment of financial assets*

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

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

Measurement of ECLs

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

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

The measurement of ECL reflects:

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

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 180 days past due.

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

Impact of the ECL model

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

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

(iii) Hedge accounting

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

(iv) Transition

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

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

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

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

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

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

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

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

5. SEGMENT INFORMATION

(a) Reportable segments

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

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

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

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

No operating segment financial information has been disclosed as the revenue, assets and liabilities of trading operation business were insignificant to the Group during both periods.

(b) Geographical information

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

(c) Information about major customers

There was no single customer who contributed over 10% to the total revenue of the Group during the Reporting Period (six months ended 30 June 2017: nil).

6. REVENUE AND OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
Revenue		
Finance lease income	**41,881,014**	29,714,954
Factoring income	**8,718,221**	2,448,626
Commission income	**5,099,922**	–
Advisory service fee income	**8,208,471**	7,726,904
Business tax and surcharge	**(90,385)**	(18,980)
	63,817,243	39,871,504
Other income and gains		
Bank interest income	**59,014**	12,769
Government grant *(note a)*	**2,800,000**	–
Interest income from available-for-sale financial assets	**–**	519,231
Interest income from short-term investments	**–**	375,507
Recharge of insurance premium *(note b)*	**427,149**	541,853
Others	**376,279**	96,911
	3,662,442	1,546,271

Notes:

(a) The Company obtained and recognised a local government grant of RMB2,800,000 (six months ended 30 June 2017: nil) from the PRC government during the Reporting Period. The listing of H Shares on GEM of the Stock Exchange represented that the H Shares have been listed on the board of an overseas capital market. Therefore, the Group fulfilled the relevant granting criteria and such government grant was immediately recognised as other income during the Reporting Period.

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

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

	For the six months ended	
	2018	2017
	RMB	*RMB*
Type of services		
Provision of advisory services and customer referral and total revenue from contracts with customers	**13,308,393**	7,726,904
Customers by industries		
Transportation	**5,321,098**	316,495
Medical	**2,557,849**	1,048,060
Electronics	**2,003,368**	1,316,515
Fast-moving consumer goods	**808,309**	1,060,133
Alternative energy	**673,882**	2,914,875
Others	**1,943,887**	1,070,826
	13,308,393	7,726,904

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
Profit before income tax is arrived at after charging:		
Costs of borrowing included in direct costs:	**16,225,160**	12,193,041
– Interest expenses on interest-bearing bank and other borrowings**	**15,915,554**	12,193,041
– Bank charges and other expenses	**32,656**	–
– Interest charge on amount due to an intermediate holding company**	**276,950**	–
Depreciation of plant and equipment*	**145,713**	131,944
Amortisation of intangible assets	**47,111**	–
Operating lease rentals in respect of land and buildings	**748,872**	666,861
Loss on disposal of plant and equipment	**800**	722
Exchange loss	**51,137**	785,470
Staff costs (including directors' emoluments) comprise:	**11,662,628**	8,749,027
Salaries, allowances and benefits in kind	**9,562,928**	6,895,857
Discretionary bonuses	**117,718**	389,678
Contributions to defined contribution retirement plan	**1,981,982**	1,463,492

* Depreciation charges are recognised in the condensed consolidated statement of comprehensive income as administrative expenses for the Reporting Period and the six months ended 30 June 2017.

** These items represent the finance costs of the Group.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
Income tax		
– Current period	**8,163,462**	1,574,716
– Over-provision in prior years	**–**	(25,675)
Deferred tax		
Credited for the period	**(648,536)**	(53,273)
Income tax expense	**7,514,926**	1,495,768

The Company and its subsidiaries were established in the PRC which are subject to the enterprise income tax in the PRC.

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

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the Reporting Period of RMB23,364,759 (six months ended 30 June 2017: RMB796,685) and the weighted average of 359,340,000 shares (six months ended 30 June 2017: 288,857,790 shares) in issue during the Reporting Period.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the Reporting Period and the six months ended 30 June 2018 and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

10. DIVIDENDS

During the six months ended 30 June 2018, a final dividend of RMB0.02 per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: a final dividend of nil per share in respect of the year ended 31 December 2016) was approved at the annual general meeting held on 15 May 2018, totaling RMB7,186,800 (six months ended 30 June 2017: nil) was declared and paid to the shareholders of the Company. The Directors do not recommend the payment of an interim dividend in respect of the Reporting Period (six months ended 30 June 2017: nil).

11. PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired plant and equipment at a total cost of RMB474,901 (six months ended 30 June 2017: RMB26,517). Plant and equipment at a total cost of RMB15,362 (six months ended 30 June 2017: RMB2,606) were disposed by the Group during the Reporting Period.

12. ACCOUNTS RECEIVABLE

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Finance lease receivables	**1,168,919,171**	1,189,396,413
Less: unearned finance income	**(92,972,375)**	(100,680,896)
Present value of minimum lease payment *(note (a))*	**1,075,946,796**	1,088,715,517
Factoring receivables *(note (b))*	**183,384,896**	168,962,931
Trade receivables *(note (c))*	**10,945,014**	24,841,236
Less: Provision for finance lease receivables *(note (a))*	**(18,614,629)**	(16,437,270)
Provision for factoring receivables *(note (b))*	**(3,115,557)**	(2,652,840)
Provision for trade receivables *(note (c))*	**(54,725)**	(132,000)
	1,248,491,795	1,263,297,574

Analysis for reporting purpose as:

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Current assets	**671,173,277**	674,951,626
Non-current assets	**577,318,518**	588,345,948
	1,248,491,795	1,263,297,574

As at 30 June 2018, included in accounts receivable amounting to RMB35,796,211 (31 December 2017: RMB44,288,800) was trade balance due from a related company with details as follows:

	Amount outstanding		**Maximum amount**
Name of related party	**As at 1 January 2018** *RMB*	**As at 30 June 2018** *RMB*	**outstanding during the period** *RMB*
Beijing City Longding Huayuan Property Development Co., Ltd (北京市龍鼎華源房地產開發有限公司) ("**Longding Huayuan**") #			
Finance lease receivable	**2,670,487**	**1,007,098**	**2,670,487**
Factoring receivable	**41,846,006**	**34,971,018**	**41,846,006**
Less: Collective impairment allowance	**(227,693)**	**(181,905)**	
	44,288,800	**35,796,211**	

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

Longding Huayuan is a non wholly-owned subsidiary of Beijing City Dayuan Tiandi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司), which is one of the shareholders of the Company.

Notes:

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

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

Finance lease receivables:

	As at 30 June 2018 ***RMB***	As at 31 December 2017 *RMB*
Within one year	**668,498,452**	676,274,401
In more than one year but not more than five years	**500,420,719**	513,122,012
	1,168,919,171	1,189,396,413

Present value of minimum lease payments:

	As at 30 June 2018 ***RMB***	As at 31 December 2017 *RMB*
Within one year	**603,741,654**	609,860,907
In more than one year but not more than five years	**472,205,142**	478,854,610
	1,075,946,796	1,088,715,517

The credit quality analysis of finance lease receivables as at the reporting date is as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
Neither past due nor impaired	**1,026,156,175**	1,042,000,089
Past due but not individually impaired	**1,219,199**	5,459,312
Past due and individually impaired	**48,571,422**	41,256,116
	1,075,946,796	1,088,715,517
Less: Collective impairment allowance	**(7,097,894)**	(7,305,817)
Individual impairment allowance	**(11,516,735)**	(9,131,453)
	1,057,332,167	1,072,278,247

As at 30 June 2018, an amount of RMB11,423,499 (31 December 2017: RMB19,885,343) was past due but not individually impaired. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

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

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

The following is an ageing analysis based on due dates of finance lease receivables which are past due but not individually impaired at the reporting date.

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
Less than one month	**654,422**	631,070
More than one month but less than three months	**314,655**	1,033,404
More than three months but less than one year	**135,894**	2,300,838
More than one year but less than two years	**114,228**	1,494,000
	1,219,199	5,459,312

The management of the Company reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 30 June 2018, aggregate carrying amounts of RMB1,219,199 (31 December 2017: RMB5,459,312) were past due respectively but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of RMB2,460 (31 December 2017: RMB139,197) were provided on past due but not individually impaired finance lease receivables.

As at 30 June 2018, included in the individual impairment allowance are individually impaired finance lease receivables with an aggregate balance of RMB11,516,735 (31 December 2017: RMB9,131,453) of which the customers are in financial difficulties.

At the end of each reporting period, the Group's finance lease receivables were individually determined to be impaired.

Movements in provision for impairment of finance lease receivables for the reporting periods are as follows:

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
At the beginning of the period/year	**16,437,270**	15,045,114
Additional credit loss recognised at 1 January 2018 upon adoption of HKFRS9	**1,001,690**	–
Impairment loss recognised for the period/year *(note (i))*	**1,175,669**	4,071,595
Write off	**–**	(2,679,439)
At the end of the period/year	**18,614,629**	16,437,270

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

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

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Carrying amount of assets *(note 13(b))*	**390,294,499**	502,243,857
Carrying amount of associated liabilities *(note 13(b))*	**366,316,634**	454,091,152
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets	**390,294,499**	502,343,857
Fair value of associated liabilities	**(366,316,634)**	(454,091,152)
Net position	**23,977,865**	48,252,705

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

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Less than one month	**24,258,067**	79,510,461
More than one month but less than three months	**–**	26,891,200
More than three months but less than one year	**148,405,193**	44,725,841
More than one year but less than two years	**7,606,079**	15,182,589
	180,269,339	166,310,091

The effective interest rates of the above factoring receivables ranged mainly from 8.71% to 14.7% per annum during the Reporting Period (31 December 2017: 8.7% to 14% per annum).

As at 30 June 2018, the Group held collaterals with a carrying amount of RMB222,723,679 (31 December 2017: RMB263,303,666) over the factoring receivables.

The ageing analysis based on due dates of factoring receivables which are past due as at the reporting date, is as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
Less than one month past due	**–**	–
Past due more than one month but less than one year	**–**	4,000,000
Past due more than one year but less than two years	**4,000,000**	4,257,703
Past due more than two years but less than three years	**3,476,790**	–
	7,476,790	8,257,703

Receivables that were past due but not impaired were related to other customers with long-term business relationship with the Group. Based on past experience, the management of the Company believes that no impairment allowance is necessary as there has not been a significant change in the credit quality of the customers of the Group.

At the end of each reporting period, the Group's factoring receivables were individually determined to be impaired. Movements in provision for impairment of factoring receivables for the reporting periods are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
At the beginning of the period/year	**2,652,840**	1,557,471
Additional credit loss recognised at 1 January 2018 upon adoption of HKFRS9	**359,066**	–
Provision for the period/year	**103,651**	1,095,369
Write off	**–**	–
At the end of the period/year	**3,115,557**	2,652,840

(c) The ageing analysis of accounts receivables (trade), as at the reporting date, is as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
Less than one month	**2,357,143**	15,213,675
More than one month but less than three months	**693,953**	846,322
More than three months but less than one year	**1,820,574**	2,538,964
More than one year but less than two years	**6,018,619**	6,110,275
	10,890,289	24,709,236

The ageing analysis based on due dates of trade receivables which are past due but not individually impaired, as at the reporting date, is as follow:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
Neither past due nor impaired	**8,533,146**	9,495,561
Less than one month past due	**367,143**	15,213,675
Past due more than one month but less than one year	**1,990,000**	–
	10,890,289	24,709,236

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

At the end of each reporting period, the Group's trade receivables were individually determined to be impaired. Movements in provision for impairment are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
At the beginning of the period/year	**132,000**	–
Impairment loss (recovery) recognised for the period/year	**(77,275)**	132,000
At the end of the period/year	**54,725**	132,000

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
Secured		
– Bank loans *(notes (a)* and *(b))*	**57,084,708**	–
Guaranteed		
– Bank loans *(notes (a)* and *(b))*	**240,333,500**	240,213,996
Secured and guaranteed		
– Bank loans *(notes (a)* and *(b))*	**366,316,633**	454,091,151
	663,734,841	694,305,147

As at the reporting date, total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	As at 30 June 2018 *RMB*	As at 31 December 2017 *RMB*
On demand or within one year	**517,931,883**	474,057,304
More than one year, but not exceeding two years	**114,097,398**	154,825,372
More than two years, but not exceeding five years	**31,705,560**	65,422,471
	663,734,841	694,305,147

Notes:

(a) The amounts due are based on the scheduled repayment dates in the loan agreements with the effect of any repayment on demand clause (defined below) being ignored.

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

The Group regularly monitors its compliance with these covenants, keeps the latest information regarding with the scheduled repayments of the bank borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 June 2018, none (31 December 2017: nil) of the covenants relating to draw-down facilities had been breached.

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

- Finance lease receivable with the carrying amount of RMB390,294,499 (31 December 2017: RMB502,343,857) (note 12(a)) as at 30 June 2018.
- The Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB800,000,000 (2017: RMB620,000,000)*.

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

	30 June 2018	31 December 2017
Fixed rate bank loans	**4.75%-5.35%**	4.75%-5.13%

(c) As at 30 June 2018, the Group has obtained banking facilities of RMB857,000,000 (31 December 2017: RMB960,000,000) of which RMB663,734,842 (31 December 2017: RMB265,694,853) had been utilised by the Group. As at 30 June 2018, the Group has unutilised banking facilities of RMB193,265,158 (31 December 2017: RMB265,694,853) available for drawdown.

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

* Ningbo Shanshan Co., Ltd. 寧波杉杉股份有限公司 ("**Shanshan**") has guaranteed certain of the Group's bank loans up to RMB800,000,000. Shanshan was the sole shareholder of Shanshan HK.

14. SHARE CAPITAL

	Number of shares	***RMB***
Registered domestic and unlisted foreign share capital and H Shares:		
At 1 January 2017	269,500,000	269,500,000
Issuance of H Shares *(note)*	89,840,000	89,840,000
At 31 December 2017, 1 January 2018 and 30 June 2018	359,340,000	359,340,000

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

15. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, the Group has the following significant related party transactions.

(a) During both periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount Six months ended 30 June 2018 RMB (Unaudited)	2017 RMB (Unaudited)
Shanshan	Intermediate holding company	Interest expenses	**276,950**	–
Longding Huayuan	Common shareholder *(note i)*	Finance lease income	**74,208**	190,938
		Factoring income	**2,135,472**	–

Note:

(i) Longding Huayuan is a wholly-owned subsidiary of Dayuan Tiandi, one of the shareholder of the Company.

(b) Members of key management including the Directors whose emoluments are as follows:

	Six months ended 30 June 2018 RMB (Unaudited)	2017 RMB (Unaudited)
Salaries, allowances and benefit in kind	**633,780**	454,600
Discretionary bonus	**–**	–
Contributions to defined contribution scheme	**70,003**	68,430
	703,783	523,030

(c) During the Reporting Period, the amount due to an intermediate holding company represented cash advance to the Group which was unsecured and repayable on demand and carried fixed interest rate of 4.35% per annum.

16. COMMITMENTS

(a) Operating lease commitments

Future minimum rental payable under non-cancellable operating lease in respect of rent premises are as follows:

	As at 30 June 2018 *RMB* **(Unaudited)**	As at 31 December 2017 *RMB* (Audited)
Within one year	**1,749,340**	1,342,122
In the second to fifth year	**2,374,313**	2,277,704
	4,123,653	3,619,826

The Group leases a number of premises under operating leases. The leases run for an initial period of 1 to 3 years in 2018, and 6 months to 3 years in 2017. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

(b) Capital commitments

	As at 30 June 2018 *RMB* **(Unaudited)**	As at 31 December 2017 *RMB* (Audited)
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not yet incurred:	**182,000**	410,000

17. CONTINGENT LIABILITIES

As at 30 June 2018, the Group does not have any significant contingent liabilities (31 December 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Company is principally engaged in financial leasing and advisory services. The Group is principally engaged in financial leasing, provision of factoring, advisory services and the supply of medical equipment in the PRC. During the Reporting Period, the operating results of the Group grew significantly and the revenue of the Group was mainly derived from finance lease income, factoring income, advisory service fee income and commission income, accounting for approximately 65.54%, 13.64%, 12.84% and 7.98% of the total revenue of the Group, respectively.

Finance leasing business

Finance leasing business is one of the core business segments of the Group. During the Reporting Period, the Group optimized and adjusted the business layout, dedicated to the small-sized finance lease business. The Group improved the quality and efficiency of the appraisal work, strengthened the function of the review committee for project screening, strived to improve the internal management system and steadily reduced the overall asset risk by strict internal control management. During the Reporting Period, the Group continued to expand its business scale and client network of the fast-moving consumer goods, healthcare and alternative energy, electronic product and transportation industries. During the Reporting Period, the Group derived a revenue of RMB41.88 million from the finance lease business, representing an increase of approximately 40.96% from RMB29.71 million of the same period last year. The significant increase in finance lease income, which was mainly generated from finance lease agreements in effect up to 31 December 2017, as part of the Group's revenue for the Reporting Period.

Looking forward, the Group will put a greater effort on developing a new customer base and expanding the service scope for small-sized finance lease business. Meanwhile, the Group intends to keep strengthening the risk control management and optimizing the team-building effort. The Group will strictly select quality lease assets and quality customers in order to combat uncertainties in the future economic environment.

Factoring business

Factoring business is another core business segment of the Group. In general, factoring business was encountering a favorable business opportunity. The local factoring business is still in a rapid development stage to meet potential demand of customers. During the Reporting Period, the Group derived a revenue of RMB8.72 million from the factoring business, representing an increase of approximately 255.92% from RMB2.45 million of the same period of last year. The significant increase was attributable to the increase in the number of factoring projects in progress up to 31 December 2017, as part of the Group's revenue for the Reporting Period.

Entering into the second half of 2018, there is a possibility that the economic environment of the PRC will become more volatile. The Group will proactively review the market trend analysis and make adjustment to its business strategy and pricing policy in a timely manner, which will enhance its risk control capability over the changing market condition.

Advisory service business

During the Reporting Period, the Group recorded a revenue of approximately RMB8.21 million from the advisory service business, representing an increase of approximately 6.21% from approximately RMB7.73 million of the same period of last year. The core of business strategies include three aspects: customer orientation, continuous improvement and employee specialization. The Group will continue to pursue these strategies and enhance competitiveness of its services.

OUTLOOK AND PLANS

During the Reporting Period, the Group's operational standards remained stable. However, in order to cope with changes in the economic environment, the Group improved the standard in selecting customers and accepted quality customers with high credibility. The Group will continue to develop in a prudent manner so as to enhance asset quality and minimise the overall asset risk.

Looking forward to the second half of 2018, the People's Bank of the PRC will continue to promote the financial deleveraging reform, which tightens the market liquidity and have an impact on financial institutions. The Group's business operation is strongly dependent on bank loans, which is expected to affect the financing scale and costs of the Group in the future, thereby affecting the Group's operating performance and profitability. In order to meet future challenges, the Group will further optimize its risk management system, risk control and post-loan asset management, strengthen team building and improve management efficiency, improve asset quality and reduce credit risks. The Group will also expand its business model, actively explore upstream and downstream equipment trade business along the finance lease supply chain, improve the profitability, optimize the business layout, consolidate the business structure and enhance the enterprise competitiveness.

The Board remains optimistic about the prospects of the core business of the Group in the long term. The Group will continue to exercise due care in the pursuance of its existing core business and furtherance of its development plans so as to balance the risks and opportunities of its core business. The Group will also closely and carefully monitor the latest developments in the global economy and its core business and adjust its business strategies from time to time if required.

FINANCIAL REVIEW

Overall performance

During the Reporting Period, the revenue of the Group maintained a significant growth and the Group recorded a revenue of approximately RMB63.82 million, representing an increase of approximately 60.07% from approximately RMB39.87 million of the same period of last year. The revenue growth was mainly due to the finance lease agreements in effect up to 31 December 2017, the increase in the number of factoring projects in progress up to 31 December 2017 and the diversification of service for generating commission income. In the first half of 2018, the Group recorded a profit of approximately RMB23.36 million, representing an increase of approximately 2,820.00% from approximately RMB0.80 million of the same period of last year.

Direct costs

The Group's main cost items were bank borrowing interest expenses. During the Reporting Period, the Group's direct costs amounted to approximately RMB16.23 million, representing an increase of approximately 33.14% from approximately RMB12.19 million for the same period of last year, which was mainly due to the increase in interest-bearing bank borrowings.

Other income and gains

During the Reporting Period, other income and gains amounted to approximately RMB3.66 million, representing an increase of approximately 136.13% from approximately RMB1.55 million of the same period of last year. The increase was primarily attributable to the increase in government grant.

Operating expenses

During the Reporting Period, the Group's operating expenses amounted to approximately RMB6.15 million, representing an increase of approximately 59.33% from approximately RMB3.86 million of the same period of last year, which was mainly due to the market expansion which increase the total number of sales personnel of the Group and the increase in operating expenses.

Administrative expenses

During the Reporting Period, administrative expenses amounted to approximately RMB13.02 million, representing an increase of approximately 16.56% from approximately RMB11.17 million of the same period of last year. The increase was mainly due to the increase in employees' salaries and benefits as a result of the increase in total number of employees of the Group.

Provision for/reversal of impairment on accounts receivables

During the Reporting Period, provision for impairment of accounts receivable was approximately RMB1.20 million, while there was a provision for impairment of accounts receivable of approximately RMB2.50 million of the same period of last year, which gives the credit to the Group's prudent risk management and internal control processes. The decrease in impairment loss on account receivable illustrated the effectiveness and maturity of the Group's risk management system.

Income tax expense

In the first half of 2018, the Group's income tax expense was approximately RMB7.51 million, representing an increase of approximately 400.67% from approximately RMB1.50 million of the same period of last year, which was mainly due to the increase in revenue and increase in profit before income tax.

Overview of assets

As at 30 June 2018, the Group's total assets amounted to approximately RMB1,389.46 million, representing an increase of approximately RMB59.38 million or approximately 4.46% from that as at 31 December 2017. Of which, the account receivables amounted to approximately RMB1,248.49 million, accounting for approximately 89.85% of the total assets, representing a decrease of approximately RMB14.81 million or approximately 1.17% from that as at 31 December 2017.

Overview of liabilities

As at 30 June 2018, the Group's total liabilities amounted to approximately RMB950.40 million, representing an increase of approximately RMB44.57 million or approximately 4.92% from that as at 31 December 2017. The gearing ratio, representing the total debt (which includes interest-bearing bank and other borrowings), divided by total equity, was about 2.16 as at 30 June 2018 (31 December 2017: about 2.14).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had commitments for the acquisition of plant and equipment of which RMB0.18 million was contracted for but has not yet been incurred (31 December 2017: RMB0.41 million).

EVENTS AFTER THE REPORTING PERIOD

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

RISK MANAGEMENT

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

Looking ahead, the Group will continue to improve its risk management capabilities. The Group will further streamline process workflow to enhance customer selection process, including credit assessment and approval procedures. In addition, the Group intends to upgrade its information technology system, to more closely monitor each of the customers' financial and operational status. Finally, the Group will continue to expand risk management team to cater for the expansion of business operations.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Reporting Period.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the Reporting Period.

CHARGES ON ASSETS

The Group pledged the accounts receivable from finance leasing with the carrying amount of RMB390.29 million as at 30 June 2018 (31 December 2017: RMB502.34 million) to secure the interest-bearing bank borrowings.

Save as disclosed above, as at 30 June 2018, the Group did not have any other charges on asset.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the Reporting Period were principally denominated in RMB and most of the assets and liabilities as at 30 June 2018 were also denominated in RMB. During the Reporting Period, the Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate and no hedging transaction or forward contract arrangement was made by the Group during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (30 June 2017: nil).

USE OF PROCEEDS FROM THE SHARE OFFER

The Company's H Shares were listed on the GEM of the Stock Exchange on the Listing Date. After deducting underwriting commissions and all other expenses related to the Share Offer, the net proceeds from the Share Offer amounted to approximately RMB92.52 million. As at 30 June 2018, the Group did not change its plan on the use of proceeds as stated in the prospectus of the Company dated 10 May 2017 in relation to the Share Offer.

The Group's utilization of proceeds from the Share Offer as at 30 June 2018 is set out below:

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to having a high quality of the Board and a high level of transparency and observing the principles and code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules. During the Reporting Period, the Group has complied with all the code provisions of the CG Code. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the CG Code and alignment with the latest developments.

AUDIT COMMITTEE

The audit committee, together with the management of the Company and BDO Limited, the external auditor of the Company, had reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated interim financial statements of the Company, together with unaudited interim report for the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

DIVIDEND

Final Dividend

The Company proposed a final dividend for the year ended 31 December 2017 of RMB0.02 (including tax) per share was approved by the shareholders of the Company at its annual general meeting held on 15 May 2018. The final dividend payable of RMB7,186,800 (including tax) was settled on 29 June 2018.

Interim Dividend

The Board did not recommend any interim dividend for the Reporting Period.

HUMAN RESOURCES

As at 30 June 2018, the Group had a total of 118 full-time employees, as compared to a total of 87 full-time employees as at 30 June 2017. The remuneration of the employees of the Group is determined based on the market conditions, work experience and employee performance. For the first half of 2018, the Group incurred employment benefit expenses (social insurance, housing fund and enterprise annuity) of approximately RMB1.98 million, representing an increase of approximately 35.62% from approximately RMB1.46 million of the same period last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. During the Reporting Period, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under PRC laws.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPETING INTERESTS

None of the Directors, controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this announcement as at 30 June 2018.

INTEREST OF COMPLIANCE ADVISER

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

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Reporting Period will be dispatched to shareholders of the Company and available on the GEM and the Company's websites in due course.

On behalf of the Board
FY Financial (Shenzhen) Co., Ltd.
Mr. Zhuang Wei
Chairman

Hong Kong, 8 August 2018

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)

Non-executive Directors:
Mr. Zhuang Wei (莊巍)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

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

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.fyleasing.com.