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

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

(Stock code: 8452)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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.

FINANCIAL HIGHLIGHTS

— Revenue for the year ended 31 December 2018 amounted to approximately RMB155,529,390 (2017: RMB122,739,198), representing an increase of approximately 26.72% as compared with preceding year.

— Profit and total comprehensive income for the year ended 31 December 2018 amounted to approximately RMB40,202,700 (2017: RMB20,689,009), representing an increase of approximately 94.32% as compared with preceding year.

— Profit and adjustment of listing expenses for the year ended 31 December 2018 amounted to approximately RMB40,202,700 (2017: RMB30,089,126), representing an increase of approximately 33.61% as compared with preceding year.

— Basic earnings per share for the year ended 31 December 2018 amounted to approximately RMB0.11 (2017: RMB0.06).

— The Board is pleased to recommend the payment of a final dividend of RMB0.05 per share (tax inclusive) for the year ended 31 December 2018 (2017: RMB0.02).

ANNUAL 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 audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Revenue	5	**155,529,390**	122,739,198
Direct costs		**(53,523,308)**	(44,362,671)
Gross profit		**102,006,082**	78,376,527
Other income and gains	5	**5,109,767**	2,838,184
Operating expenses		**(17,352,547)**	(12,223,289)
Administrative expenses		**(30,653,420)**	(25,266,648)
Impairment loss on accounts receivable, net		**(4,483,267)**	(4,907,614)
Listing expenses		**–**	(9,400,117)
Profit before income tax	6	**54,626,615**	29,417,043
Income tax expense	7	**(14,423,915)**	(8,728,034)
Profit and total comprehensive income for the year		**40,202,700**	20,689,009
Earnings per share:	8		
Basic and diluted		**0.11**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**1,629,680**	610,441
Accounts receivable	*10*	**470,579,459**	588,345,948
Restricted bank deposits		**19,909,422**	–
Deferred tax assets		**6,890,863**	4,772,528
		499,009,424	593,728,917
Current assets			
Inventory		**530,172**	–
Accounts receivable	*10*	**801,133,465**	674,951,626
Prepayments, deposits and other receivables		**34,522,689**	26,392,929
Restricted bank deposits		**2,320,924**	–
Structured bank deposit		**60,000,000**	–
Cash and cash equivalents		**72,677,833**	35,007,495
		971,185,083	736,352,050
Current liabilities			
Bills payable		**2,051,000**	–
Other payables and accruals		**74,909,175**	60,652,839
Receipts in advance		**3,473,772**	2,711,801
Contract liabilities		**919,200**	–
Amount due to an intermediate holding company		**236,000,000**	–
Tax payables		**3,514,621**	4,016,526
Interest-bearing bank borrowings	*11*	**463,376,569**	694,305,147
		784,244,337	761,686,313
Net current assets/(liabilities)		**186,940,746**	(25,334,263)
Total assets less current liabilities		**685,950,170**	568,394,654
Non-current liabilities			
Receipts in advance		**3,773,935**	3,200,769
Deposits from finance lease customers and suppliers		**118,327,066**	140,950,616
Interest-bearing bank borrowings		**107,950,756**	–
		230,051,757	144,151,385
Net assets		**455,898,413**	424,243,269
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**359,340,000**	359,340,000
Reserves		**96,558,413**	64,903,269
Total equity		**455,898,413**	424,243,269

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

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

	2018	2017
	RMB	*RMB*
Cash flows from investing activities		
Increase in structured bank deposit	**(60,000,000)**	–
Increase in pledged bank deposits	**(22,230,346)**	–
Purchase of available-for-sale financial assets	**–**	(1,702,507,000)
Proceeds from disposal of available-for-sale financial assets	**–**	1,702,507,000
Purchase of short-term investments	**–**	(532,405,000)
Proceeds from disposal of short-term investments	**–**	532,405,000
Interest received from available-for-sale financial assets	**–**	519,230
Interest received from short-term investments	**–**	382,627
Proceeds from disposal of plant and equipment	**–**	2,300
Purchases of plant and equipment	**(1,364,647)**	(63,227)
Net cash (used in)/generated from investing activities	**(83,594,993)**	840,930
Cash flows from financing activities		
Increase in amount due to an intermediate holding company	**236,000,000**	–
Proceeds from issuance of H shares	**–**	103,791,150
Share issue expenses	**–**	(9,521,628)
Proceeds from interest-bearing bank borrowings	**366,894,625**	584,400,000
Repayment of interest-bearing bank borrowings	**(489,872,447)**	(391,011,312)
Dividend paid	**(7,186,800)**	–
Net cash generated from financing activities	**105,835,378**	287,658,210
Net increase/(decrease) in cash and cash equivalents	**37,670,338**	(5,911,439)
Cash and cash equivalents at beginning of year	**35,007,495**	40,918,934
Cash and cash equivalents at end of year	**72,677,833**	35,007,495
Analysis of cash and cash equivalents:		
Cash at banks and in hand	**72,677,833**	35,007,495

NOTES TO THE CONDENSED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) HKFRS 9 Financial Instruments

(i) Classification and measurement of financial instruments

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

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

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 cost**"), (ii) financial assets at fair value through other comprehensive income ("**FVOCI**") or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) SPPI criterion. Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

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

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

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

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

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

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

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

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

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

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

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

(ii) *Impairment of financial assets*

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

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

Measurement of ECLs

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

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

The measurement of ECLs reflects:

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

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

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

Impact of the ECLs model

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

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

(iii) *Hedge accounting*

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

(iv) *Transition*

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

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

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

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

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

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

(B) HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

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

Amendments to HKAS 40, Investment Property – Transfers of Investment Property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HKFRS 16 – Leases

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

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of material

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

Amendments to HKFRS 3 – Definition of a business

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

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to HKAS 28

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

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

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

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

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

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

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

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

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

HKFRS 17 – Insurance Contracts

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

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. 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.

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

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

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

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

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

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

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

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

(c) Geographic information

The Company 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.

(d) Information about major customers

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

5. REVENUE AND OTHER INCOME AND GAINS

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

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

Notes:

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

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

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

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

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

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

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

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

Notes:

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

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

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

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

7. INCOME TAX EXPENSE

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

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 current and prior year.

8. 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 of RMB40,202,700 (2017: RMB20,689,009) and the weighted average of 359,340,000 shares (2017: 324,388,548 shares) in issue for the Reporting Period.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding for the Reporting Period and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

9. DIVIDENDS

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

10. ACCOUNTS RECEIVABLE

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

Analysis for reporting purpose as:

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

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

The Group

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

Name of related parties	Amount outstanding At 1 January *RMB*	At 31 December *RMB*	Maximum amount outstanding during the year *RMB*
2017			
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	

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

Notes:

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

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

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

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

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

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

Finance lease receivables are mainly secured by lease assets, customers' and suppliers' deposit and lease assets repurchase arrangement where applicable. Additional collateral may be obtained from customers to secure their repayment obligations under finance leases and such collateral includes property, plant and 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 arrangement of the Group that needed to be recorded as at the end of each of the reporting period.

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

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

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

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

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

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

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

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

Note:

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

As part of its normal business, the Group entered into a finance lease receivable factoring arrangement (the "**Arrangement**") and transferred certain finance lease receivables to an independent third party and a state-owned commercial bank in the PRC (the "**Factors**") during the years of 2018 and 2017 respectively. Under the Arrangements, the Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to 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 provides a summary of carrying amounts related to transferred financial assets at amortised cost that are not derecognised in their entirety and the associated liabilities:

	2018	2017
	RMB	*RMB*
Carrying amount of assets *(note 11(b))*	**266,478,000**	502,343,857
Carrying amount of associated liabilities *(note 11(b))*	**244,478,514**	454,091,152
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets	**266,478,000**	502,343,857
Fair value of associated liabilities	**(244,478,514)**	(454,091,152)
Net position	**21,999,486**	48,252,705

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

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

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

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

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

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

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

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

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

Note:

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

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

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

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

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

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

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

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

11. INTEREST-BEARING BANK BORROWINGS

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

12. 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 2018	359,340,000	359,340,000

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

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

Finance leasing business

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

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

Factoring business

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

Advisory service business

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

OUTLOOK

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

FINANCIAL REVIEW

Revenue

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

Gross profit

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

Direct costs

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

Other income and gains

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

Operating expenses

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

Administrative expenses

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

Impairment loss on accounts receivable

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

INCOME TAX EXPENSE

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

MATERIAL ACQUISITIONS OR DISPOSALS

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

FOREIGN EXCHANGE RISK

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

FINANCE COSTS

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

TREASURY MANAGEMENT

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between obtaining a higher owners' return with a possibly higher level of leverage and securing the advantages and security afforded by a sound capital position with adjustments made to the capital structure in light of changes in economic conditions. The Directors also strive to optimise the Group's overall capital structure through payment of dividends or issue of new shares. No changes were made in the objectives, policies or processes of the Group's capital management during the Reporting Period.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of the Reporting Period were as follows:

	2018	2017
	RMB	*RMB*
Total equity	**455,898,413**	424,243,269
Overall financing		
– Interest-bearing bank borrowings	**571,327,325**	694,305,147
– Amount due to an intermediate holding company	**236,000,000**	–
	807,327,325	694,305,147
Equity-to-overall financing ratio	**1:0.56**	1:0.61

The Group manages its capital to ensure that each entity in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

PLEDGE OF ASSETS

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had 134 full-time employees, as compared with 101 full-time employees as at 31 December 2017. Total staff costs (including the Directors' remuneration) was approximately RMB28.15 million for the Reporting Period, as compared with approximately RMB21.91 million for last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. During the Reporting Period, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under the PRC laws.

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

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

SIGNIFICANT INVESTMENT

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

CAPITAL COMMITMENTS

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

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

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the auditors of the Company, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the Reporting Period. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

FINAL DIVIDEND

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

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

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

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

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

CLOSURES OF THE REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the AGM, the transfer books and register of members of H Shares will be closed from Tuesday, 26 March 2019 to Thursday, 25 April 2019, both days inclusive, during which period no Share transfers can be registered. In order to be eligible for attending and voting at the AGM, unregistered holders of H Shares should ensure that all transfer documents of H Shares accompanied by the relevant

H share certificates must be lodged with the Company's Hong Kong H Share registrar (the "**H Share Registrar**"), Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 March 2019.

Shareholders whose names appear on the register of members of H Shares on Thursday, 25 April 2019 will be entitled to attend and vote at the AGM.

For determining the entitlement of the Shareholders of the Final Dividend, the transfer books and register of members of H Shares will be closed from Monday, 6 May 2019 to Friday, 10 May 2019, both days inclusive, during which period no Share transfers can be registered. In order to be eligible for entitlement of the Final Dividend, subject to the passing of the relevant resolutions at the AGM, unregistered holders of H Shares should ensure that all transfer documents of H Shares accompanied by the relevant H Share certificates must be lodged with the H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 May 2019.

Shareholders whose names appear on the register of members of H Shares after the close of business on Friday, 10 May 2019 will be entitled to the Final Dividend subject to the passing of the relevant resolutions at AGM.

COMPETING INTERESTS

The Directors have confirmed that, as at 31 December 2018, 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 (other than the Group) 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.

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 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fyleasing.com). The 2018 annual report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS

To reflect and be consistent with the proposed amendments on the terms of references of the Board committees, the Board proposed to make the following amendments to relevant provisions in the articles of associations of the Company (the "**Articles of Associations**") for the purpose of further improving corporate governance (the "**Proposed Amendments**").

1. **The Company proposes that Article 153 of the Articles of Association be amended as follows:**

   The current Article 153 is as follows:

   "The Board shall set up an Audit Committee, a Remuneration and a Nomination Committee. All members of the special committees shall be Directors, among which, the Audit Committee must have at least three members, and all members shall be non-executive Directors, of whom the majority shall be independent non-executive Directors. At least one member of the Audit Committee shall be an independent non-executive Director with the proper qualification as required by Rule 5.05(2) of the Stock Exchange Listing Rules, or appropriate accounting or related financial management expertise. The chairman of the Audit Committee must be an independent non-executive Director. The majority of the members of the Remuneration Committee shall be independent non-executive Directors. The chairman of the Remuneration Committee must be an independent non-executive Director. The majority of the members of the Nomination Committee shall be independent non-executive Directors. The chairman of the Nomination Committee must be the chairman of the Board or an independent non-executive Director."

   The Company proposes that the current Article 153 be deleted in its entirety and be replaced by the following:

"The Board shall set up an Audit Committee, a Remuneration Committee and a Nomination Committee. All members of the special committees shall be Directors and shall be appointed by the Board, among which, the Audit Committee must have at least three members, and all members shall be non-executive Directors, of whom the majority shall be independent non-executive Directors. At least one member of the Audit Committee shall be an independent non-executive Director with the proper qualification as required by Rule 5.05(2) of the Stock Exchange Listing Rules, or appropriate accounting or related financial management expertise. The chairman of the Audit Committee must be an independent non-executive Director. The majority of the members of the Remuneration Committee shall be independent non-executive Directors. The chairman of the Remuneration Committee must be an independent non-executive Director. The majority of the members of the Nomination Committee shall be independent non-executive Directors. The chairman of the Nomination Committee must be the chairman of the Board or an independent non-executive Director."

2. The Company proposes that Article 157 of the Articles of Association be amended as follows:

The current Article 157 is as follows:

"The main responsibilities of the Nomination Committee include:

(I) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes in the Board in line with the Company's corporate strategy;

(II) to identify individuals suitably qualified to become Directors, select and nominate candidates of Directors or make recommendations to the Board in this regard;

(III) to assess the independence of independent non-executive Directors; and

(IV) to make recommendations on the appointment or reappointment of the Directors and succession plan of the Directors (especially the chairman of the Board and the chief executive officer)."

The Company proposes that the current Article 157 be deleted in its entirety and be replaced by the following:

"The main responsibilities of the Nomination Committee include:

(I) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations regarding any proposed changes in the Board in line with the Company's corporate strategy;

(II) to identify individuals suitably qualified to become Directors, select and nominate candidates of Directors or make recommendations to the Board in this regard;

(III) to assess the independence of independent non-executive Directors;

(IV) to make recommendations on the appointment or reappointment of the Directors and succession plan of the Directors (especially the chairman of the Board and the chief executive officer);

(V) to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to disclose the Board Diversity Policy or a summary of the same in the corporate governance report of the Company;

(VI) to disclose in the corporate governance report of the Company a summary of the work performed during the year, including the policy for the nomination of directors, performed by the Nomination Committee during the year which includes nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year; and

(VII) where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting (i) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent; (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board; (iii) the perspectives, skills and experience that the individual can bring to the Board; and (iv) how the individual contributes to diversity of the Board."

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

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

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

Hong Kong, 28 February 2019

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 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 in 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.