

富銀融資租賃(深圳)股份有限公司 FY Financial (Shenzhen) Co., Ltd.

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

Stock Code: 8452

SHARE OFFER

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



Dongxing Securities (Hong Kong) Company Limited

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER OF H SHARES

Number of Offer Shares : 89,840,000 H Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares : 8,984,000 H Shares (subject to reallocation)
Number of Placing Shares : 80,856,000 H Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price : Not more than HK\$1.87 and expected to be not less than HK\$1.31 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value : RMB1.00 per H Share
Stock code : 8452

Sole Sponsor, Sole Bookrunner and Sole Lead Manager



Dongxing Securities (Hong Kong) Company Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" attached to Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Our Company is established, and substantially all of our businesses are located, in PRC. Potential investors in our Company should be aware of the differences in the legal, economic and financial systems between the Mainland and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in "Risk Factors", "Appendix III — Summary of the Constitution of the Company and the PRC Company Law" to this prospectus. Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the above-mentioned sections.

The Offer Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Monday, 15 May 2017, or such later date or time as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. Our Offer Price will not be more than HK\$1.87 per Offer Share and is expected to be not less than HK\$1.31 per Offer Share. If our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by that date or time or such later date or time as agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to Price Determination Date. In such a case, notices of reduction of the indicative Offer Price will be published on our website at www.fyleasing.com and the website of the Stock Exchange at www.hkexnews.hk.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Prospective investors of the Offer Shares should note that the Sole Bookrunner (for itself and on behalf of the Underwriters) is entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us (for ourselves and on behalf of the executive Directors and our Controlling Shareholders), upon the occurrence of any of the events set forth in "Underwriting — Underwriting Arrangements — Public Offer — Grounds for Termination" at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus or the Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the Application Forms and the offering of the Offer Shares in other jurisdiction may be restricted by law and therefore persons who possess this prospectus or any of the Application Forms should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

10 May 2017

CHARACTERISTICS OF GEM

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE^(NOTE 1)

If there is any change in the following expected timetable, we will issue an announcement on the website of the Company at **www.fyleasing.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

2017

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Wednesday, 10 May

Latest time to complete electronic applications under **HK**

eIPO White Form service through the designated website

www.hkeipo.hk ^(Note 2) 11:30 a.m. on Monday, 15 May

Application lists for Public Offer open ^(Note 3) 11:45 a.m. on Monday, 15 May

Latest time for lodging **WHITE** and **YELLOW** Application

Forms 12:00 noon on Monday, 15 May

Latest time to give **electronic application instructions** to

HKSCC ^(Note 4) 12:00 noon on Monday, 15 May

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or PPS

payment transfer(s) 12:00 noon on Monday, 15 May

Application lists for Public Offer close ^(Note 3) 12:00 noon on Monday, 15 May

Expected Price Determination Date on or about ^(Note 5) Monday, 15 May

Announcement of the final Offer Price, indication of the level

of interest in the Placing, the level of applications of the

Public Offer, the basis of allocation of the Public Offer

Shares to be published in the Company's website at

www.fyleasing.com and the website of the Stock Exchange

at **www.hkexnews.hk** on or before Monday, 22 May

Announcement of results of allocations in the Public Offer

(with successful applicants' identification document

numbers, where appropriate) to be available through a

variety of channels including the Company's website at

www.fyleasing.com and the website of the Stock Exchange

at **www.hkexnews.hk** (for further details, please see the

section headed "How to Apply for Public Offer Shares —

11. Publication of results" of this prospectus) on or before Monday, 22 May

EXPECTED TIMETABLE^(NOTE 1)

Results of allocations in the Public Offer will be available at

www.tricor.com.hk/ipo/result with a “search by ID”

function from Monday, 22 May

Despatch/collection of refund cheques and e-Auto Refund

Payment Instructions in respect of wholly or partially
unsuccessful applications and wholly or partially successful
applications (if applicable) in case the final Offer Price is
less than the maximum Offer Price paid for the
applications pursuant to the Public Offer on or before

(Notes 7, 8, 9 & 10) Monday, 22 May

Despatch/collection of H Share certificates in respect of

wholly or partially successful applications pursuant to the

Public Offer on or before (Notes 6, 7, 8, 9 & 11) Monday, 22 May

Dealings in Shares on GEM expected to commence at 9:00

a.m. on Tuesday, 23 May

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 15 May 2017, the application lists will not open on that day. For further details, please see the section headed “How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Public Offer Shares — Apply by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Monday, 15 May 2017. If, for any reason, the Offer Price is not agreed on or before Thursday, 18 May 2017 between the Company and the Sole Bookrunners (for itself on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
6. H Share certificates for the Public Offer Shares are expected to be issued on or before Monday, 22 May 2017 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 23 May 2017 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

EXPECTED TIMETABLE^(NOTE 1)

7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) and have provided all information required may collect their refund cheques (where relevant) and/or H Share certificates (where relevant) personally from our Hong Kong H Share Registrar, Tricor Investor Services Limited from 9: 00 a.m. to 1:00 p.m. on Monday, 22 May 2017 or any other day as announced by us as the date of despatch of H Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong H Share Registrar.

8. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their H Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Uncollected H Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Public Offer Shares — 14. Despatch/collection of H Share certificates and refund monies" in this prospectus.
10. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$1.87 per Offer Share.
11. H Share certificates will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision.

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.fyleasing.com which is the official website of our Company do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in “Definitions” and “Glossary of Technical Terms” in this prospectus, respectively.

OVERVIEW

We are a financial services company with a focus on providing equipment-based finance leasing, commercial factoring and advisory services to our customers in the PRC. We derive our revenue mainly from finance lease income for provision of finance leasing services, which contributed to 53.0%, 52.0% and 59.7% of our revenue for the years ended 31 December 2014, 2015 and 2016, respectively. For our commercial factoring segment, we provide financing and accounts receivable management services to our customers in return for (i) interest and management fee income and (ii) transfer of legal title of accounts receivable from our customer to us. We derive advisory service fee income for providing customised advisory services to our customers under our advisory services segment.

We provide customised finance leasing services based on the industry of, and equipment required by, our customers, and our finance lease offering comprises direct finance lease, new sale-leaseback and used sale-leaseback transactions. Since the commencement of our finance leasing business in 2013, with the support insight, reputation and wide-ranging industry connections from Shanshan, our Controlling Shareholder listed on the Shanghai Stock Exchange, we have focused our efforts on providing our finance leasing services to the FMCG, electronics, medical, alternative energy and transportation industries across the PRC, where we have established connections with industry players and gained valuable expertise. During the Track Record Period, we had over 240 finance leasing customers in various industries across more than 25 different municipalities, provinces and autonomous regions in the PRC. We believe our wide and diversified customer base allows us to diversify our risks from over reliance and general adverse trends in any particular industry or any particular region. Going forward, we intend to further develop our finance leasing business by targeting the medical and alternative energy (including electric vehicles and renewable energy) industries, which we believe have stable income streams, strong and apparent government support and less susceptibility to cyclical market fluctuations.

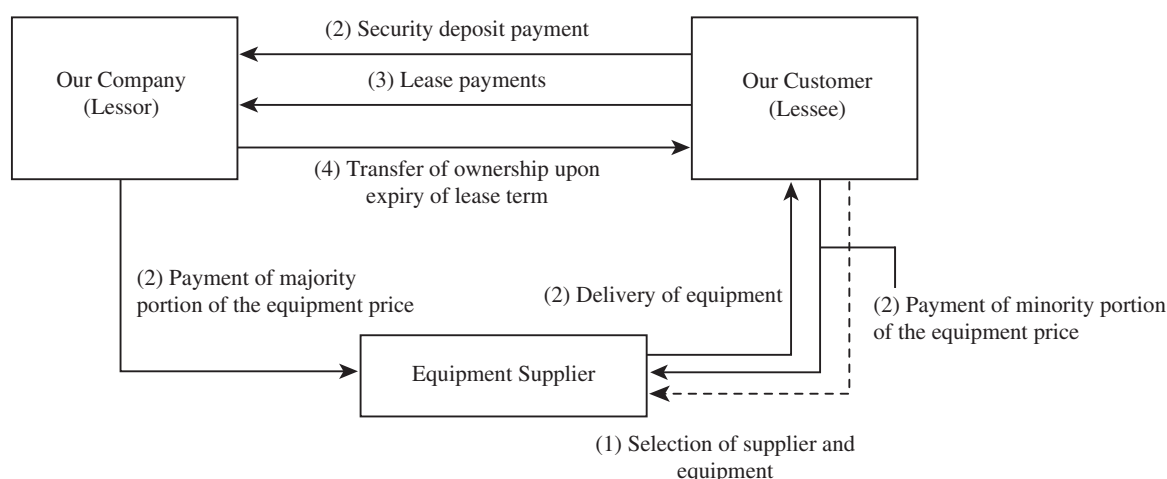
SUMMARY

Business Model

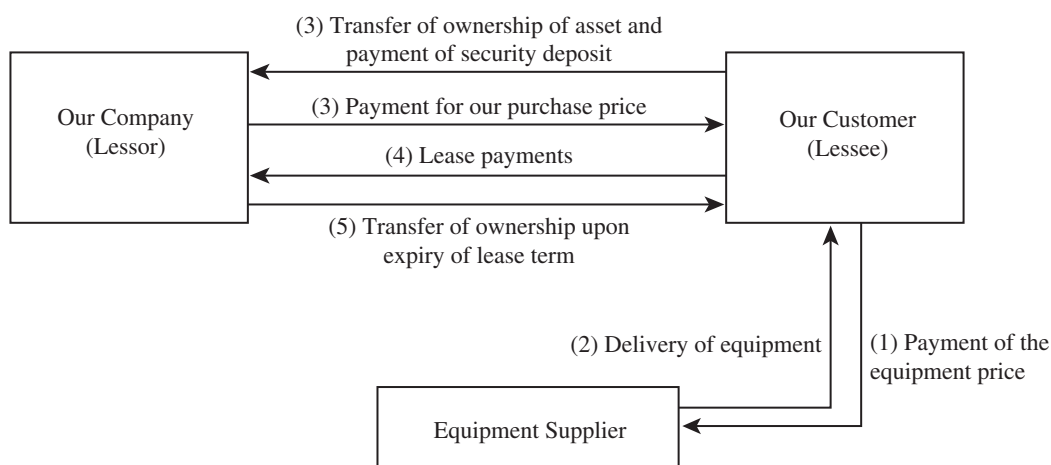
Finance leasing services

We categorise our finance leasing operations into (i) direct finance leasing, (ii) new sale-leaseback and (iii) used sale-leaseback. Direct finance leasing and new sale-leaseback involve leasing of new equipment acquired (either by us or by our customer) from an equipment supplier prior to the lease transaction, whereas used sale-leaseback involves leasing of used equipment which were owned by our customer and sold to us prior to the lease transaction. During the Track Record Period, most of our finance leasing transactions were direct finance leasing and new sale-leaseback transactions.

A typical direct finance lease involves three parties, namely lessor, lessee and equipment supplier. The following diagram illustrates the relationship among the three parties:



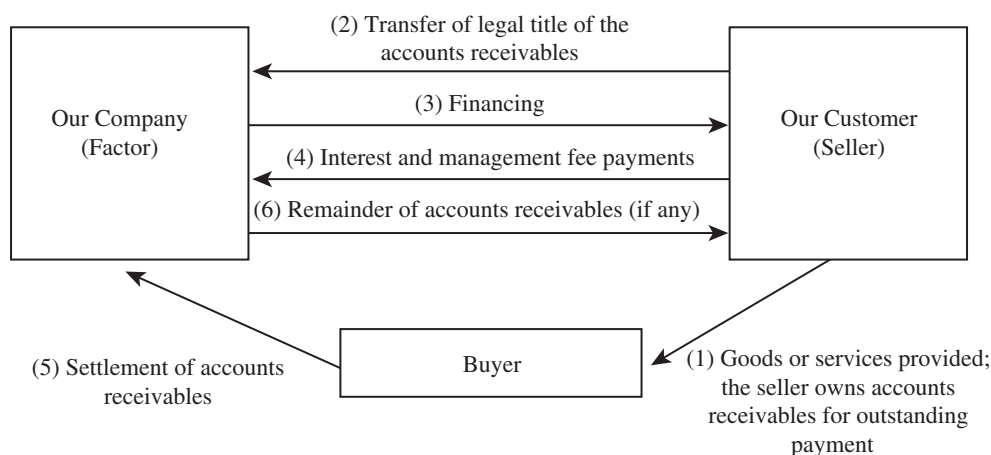
A typical new sale-leaseback involves three parties, namely lessor, lessee and equipment supplier. The following diagram illustrates the relationship among the three parties:



SUMMARY

Factoring services

In a typical factoring transaction, we (as factor) provide financing and accounts receivable management services to our customer (as seller) in return for (i) interest and management fee income payments and (ii) transfer of legal title of accounts receivable from our customer to us. After the transfer of the accounts receivable to us, we own the right to receive the outstanding amount of the accounts receivable from the buyer. When the buyer (i.e. debtor of the accounts receivable) settles the accounts receivable, such sums are first applied to the settlement of the financing provided to our customer under the factoring transaction between our customer and us, and any remainder are then paid to our customer. As such, a typical factoring transaction involves three parties, namely the factor (us), the seller (our customer) and the buyer. The following diagram illustrates the relationship among the three parties:



We generally enter into factoring transactions which are: (i) with recourse; and (ii) with notification. With recourse means that under certain circumstances such as a default by the buyer to pay the accounts receivable, we have the right to immediately demand our customers (who are usually the sellers) to unconditionally repurchase the accounts receivable. On the other hand, for a factoring without recourse transaction, as we do not have recourse to our customer if the buyer defaults on repayment of the accounts receivable, we would usually require extra collateral and guarantees for such transactions. With notification means that the buyer is notified of the factoring arrangement between our customer and us before we provide financing to our customer. On the other hand, for a factoring without notification transaction, we reserve the right to notify the buyer of the factoring arrangement after we have provided financing to our customer. As advised by our PRC Legal Advisers, under the current PRC laws and regulations as well as the terms of the factoring agreement we had entered into, there is no express restriction on the exercise of our right to notify the buyer of the factoring arrangement. During the Track Record Period, although we generally entered into factoring transactions with notification, we entered into a number of factoring transactions without notification at the request of our customers.

SUMMARY

Advisory services

We provide advisory services in return for an advisory service fee. Our advisory services include providing market information (such as analysis of equipment suppliers), product advice (such as selection and pricing of equipment), analysis on competition in the industry (such as research on the business scale and financial performance of our customer's competitors), solutions for optimising operational workflow, as well as financial management (such as analysis of key financial ratios) and asset management advice. The provision of advisory services is optional to our finance leasing customers. We can also provide our advisory services on a standalone basis. During the Track Record Period, most of our customers under our advisory services segment were also our customers under the finance leasing segment, and there were only four advisory services customers who were not our finance leasing customers.

Pricing Policy

We take into account a number of factors in determining the pricing of our finance leasing and factoring services. In respect of our finance leasing segment, we will consider the prevailing market rates, our risk premium through our assessment of the credit risk involved and the liquidity of the leased assets, and our funding cost. In respect of our factoring services segment, we take into account the prevailing market rates, credit rating of the customer and the buyer, and our funding cost. For details on our pricing policy, see "Business — Pricing Policy".

Funding Sources

During the Track Record Period, we funded our finance leasing and factoring businesses primarily via bank and other borrowings and amounts due to an intermediate company. For details on our sources of funding, see "Business — Our Lenders and Funding Capabilities".

Average yield of interest-earning assets

For the years ended 31 December 2014, 2015 and 2016, the average yield of interest-earning assets for the finance lease segment was 8.1%, 6.7% and 6.5%, respectively.

For the years ended 31 December 2014, 2015 and 2016, the average yield of interest-earning assets for the factoring segment was 15.2%, 12.8% and 14.7%, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths will enable us to compete effectively in the finance leasing, factoring and advisory services industries in the PRC.

- We have accumulated substantial experience from providing finance leasing services in the alternative energy industry and benefit from Shanshan's position in this industry as an affiliated company of Shanshan.
- We have implemented prudent risk management and internal control processes.

SUMMARY

- Our development is supported by our strong capital base and diverse fundraising capabilities.
- We have a diversified customer base and are positioned to benefit from our relationship with customers in our target industries.
- We have an experienced and stable management team which enables us to deliver reliable and efficient services to our customers.

For further details, see “Business — Our Competitive Strengths”.

OUR STRATEGIES

We aim to continue our rapid growth through the following strategies:

- Expand our business model and develop in emerging industries by, among others, (i) integrating our business connections with upstream and downstream resources in emerging industries such as the medical, alternative energy and transportation industries; and (ii) providing training and development programs for our employees to enhance their professional knowledge, keep them abreast of industry updates.
- Expand the size of our finance leasing and factoring business portfolio by, among others, (i) communicating with our existing customers more frequently to explore further business opportunities; (ii) maintaining closer contacts with suppliers of equipment for customer referrals; (iii) conducting market research to identify more industries suitable for our finance leasing and factoring businesses; and (iv) utilising the net proceeds from the Share Offer to increase the size of our finance leasing and factoring portfolio.
- Optimise the asset portfolio structure of our finance leasing and factoring businesses by, among others, (i) focusing on developing our relationship with customers who are leading market players in their industries with more competitive advantages and better management against risk exposures; and (ii) maintaining updated information on our customers to avoid over concentration of customers in any particular industry or geographical location.
- Enhance our specialised and professional workforce by, among others, (i) recruiting new personnel to improve and cultivating the technical expertise and industrial knowledge of our workforce for our target industries; and (ii) providing training and development programs to enhance their professional knowledge and capability.
- Continue to enhance our risk management capabilities by, among others, (i) expanding our professional risk management team and recruiting approximately 10 additional risk management personnel; and (ii) intensifying our efforts in conducting independent due diligence and credit assessment for potential projects.

SUMMARY

- Strategic cooperation and business development by leveraging our industry contacts by seeking further cooperation with leading equipment suppliers in our target industries, such as the medical and alternative energy industries.

For further details, see “Business — Our Strategies”.

OUR CUSTOMERS

Our customer base comprises mainly SMEs in a number of strategic industries. During the Track Record Period, our strategic industries in respect of our finance leasing business comprise FMCG, electronics, medical, alternative energy and transportation, while our strategic industries in respect of our factoring business were property leasing, manufacturing and medical. For the years ended 31 December 2014, 2015 and 2016, over 90% of our finance lease income was derived from our customers in the FMCG, electronics, medical, alternative energy and transportation industries. During the Track Record Period, we had over 240 finance leasing customers in various industries across more than 25 different municipalities, provinces and autonomous regions in the PRC. For further details on our customers, see “Business — Customer Industry Analysis” and “Business — Our Customers”.

OUR RISK MANAGEMENT SYSTEM

As a financial services company, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. We seek to maintain a diversified portfolio with a primary focus on various industries for our finance leasing and factoring businesses. We believe this enhances our risk management capability in that our overall portfolio risk would be less vulnerable to the cyclicity and market conditions of a single industry. As a result of our stringent and mature risk management procedures, as at the Latest Practicable Date, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil. For details on our risk management system, see “Risk Management and Operations”.

OUR DEBT MANAGEMENT

We manage our debt based on the following strategies:

- Determine a reasonable level of debt on an annual basis;
- Determine the most appropriate timing for borrowing; and
- Arrange appropriate means of funding and plan proportional debt repayment structure.

SUMMARY

During the Track Record Period, we took a number of steps to manage our level of debt, including: (i) the formulation of our financing budget based on our business plan, which was ultimately approved by our Board; (ii) the reasonable arrangement of funding times and means according to our business development schedule and cash flow situations; (iii) the arrangement of financing based on the terms of our bank facilities and the formulation of debt repayment plan; and (iv) the proactive adjustment of our debt structure according to the actual business environment, taking into account information which was not available or foreseen at the time when our debt structure was determined at the beginning of the relevant financial year. After Listing, we intend to continue to take the abovementioned steps to manage our level of debt going forward.

As our business expands, we expect our level of debt will increase due to the nature of our business. Our Directors believe that through our Company's comprehensive debt management measures, we can ensure that we have sufficient working capital to meet our business needs, and effectively limit our exposure to liquidity risk.

For details, see "Business — Our debt management".

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer, Shanshan HK, a wholly-owned subsidiary of Shanshan, will own approximately 41.60% of the registered shared capital of our Company. As a result, each of Shanshan HK and Shanshan will be regarded as a controlling shareholder of our Company. As Shanshan Group and Shanshan Holding (a company which is, through Qinggang Investment, controlled by Mr. Zheng and Ms. Zhou) collectively hold 39.88% in Shanshan, each of Shanshan Group and Shanshan Holding will be regarded as part of a group of controlling shareholders under Rule 1.01 of the GEM Listing Rules. As Shanshan Group is controlled by Ningbo Yonggang, which is in turn controlled by Shanshan Holding, Ningbo Yonggang will be regarded as a controlling shareholder of the Company under Rule 1.01 of the GEM Listing Rules. Each of Mr. Zheng and Ms. Zhou (through Qinggang Investment) is a shareholder who can ultimately exercise 30% or more of the voting right at general meetings of the Company. As such, each of Mr. Zheng, Ms. Zhou and Qinggang Investment will be regarded as a controlling shareholder of the Company under Rule 1.01 of the GEM Listing Rules.

For further details on our Controlling Shareholders, see "Relationship with Controlling Shareholders".

SPIN-OFF AND WITHDRAWAL OF NEEQ QUOTATION APPLICATION

The Listing constitutes a spin-off of Shanshan, our Controlling Shareholder which is listed on Shanghai Stock Exchange. The Listing was approved by (i) Shanshan's shareholders at an extraordinary shareholders' general meeting on 6 June 2016; and (ii) the CSRC on 14 December 2016.

On 26 November 2015, we submitted quotation application to NEEQ in the PRC. On 27 May 2016, NEEQ issued the Notice on Issue Relevant to Quotation and Fund-raising of Financial

SUMMARY

Companies (關於金融類企業掛牌融資有關事項的通知) and suspended the processing of quotation applications made by certain financial companies, including but not limited to finance leasing companies and factoring companies. We received a termination notice from NEEQ on 23 June 2016 informing us that the examination of our quotation application has been terminated.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, which is prepared in accordance with HKFRS, and see "Financial Information" in this prospectus.

Summary Results of Operations

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Revenue	51,905	69,611	76,047
Direct costs	(22,262)	(23,549)	(10,451)
Gross profit	29,643	46,062	65,596
Other income and gains	3,131	2,589	2,277
Operating expenses	(7,628)	(7,013)	(7,903)
Administrative expenses	(15,150)	(17,580)	(18,722)
Impairment loss on accounts receivable, net	(3,444)	(14,285)	(7,991)
Listing expenses	—	—	(8,691)
Profit before income tax	6,552	9,773	24,566
Income tax expense	(1,767)	(2,707)	(8,397)
Profit and total comprehensive income for the year	<u>4,785</u>	<u>7,066</u>	<u>16,169</u>

Our Group recorded accumulated losses of RMB4.5 million as at 1 January 2014, which was improved to retained profits of approximately RMB21,000 as at 31 December 2014 due to the net profit generated during the year. Our Group managed to become profitable during the year ended 31 December 2014. For details on how our Group was able to achieve a turnaround in our business during the year ended 31 December 2014, see "Financial Information — Results of Operations".

SUMMARY

Our Group recorded impairment losses on account receivables, net of RMB3.4 million, RMB14.3 million and RMB8.0 million for the years ended 31 December 2014, 2015 and 2016, respectively. The management of our Group reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. We have entered into sale and purchase agreements with an Independent Third Party in May 2016 whereby we have agreed to sell five non-performing finance lease receivables assets and one non-performing factoring receivable asset. Before such sale, our Group has classified the respective assets involved as substandard in 2015 and has recorded their respective impairment losses of RMB7.5 million and RMB1.0 million thereof. In connection with the completion of the transfer of these non-performing assets in June 2016, as at 31 May 2016 and 30 June 2016, our non-performing assets ratio for finance lease receivables were 8.9% and 3.1%, respectively, whilst our non-performing assets ratio for factoring receivables were 14.7% and 11.6%, respectively. After taking into account our provision and security deposits received (if any), we did not record any gains or losses in connection with the transfer of these non-performing assets. For details, see "Business — Asset Quality/Policy for Provision of Impairment".

Selected Consolidated Statements of Financial Position

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Non-current assets	271,179	305,703	481,375
Current assets	437,250	592,998	505,921
Current liabilities	386,283	497,123	557,385
Net current assets/(liabilities)	50,967	95,875	(51,464)
Total assets less current liabilities	322,146	401,578	429,911
Non-current liabilities	96,341	108,462	120,626
Total equity	225,805	293,116	309,285

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Net cash used in operating activities	(306,282)	(157,919)	(91,623)
Net cash (used in)/generated from investing activities	(22,355)	(15,531)	45,752
Net cash generated from financing activities	238,516	187,189	67,957
Net (decrease)/increase in cash and cash equivalents	(90,121)	13,739	22,086
Cash and cash equivalents at beginning of year	95,215	5,094	18,833
Cash and cash equivalents at end of year	5,094	18,833	40,919

SUMMARY

We experienced net operating cash outflows of RMB306.3 million, RMB157.9 million and RMB91.6 million for the years ended 31 December 2014, 2015 and 2016, respectively. The reason was primarily due to (i) the mismatch by timing of our collection of receivables from our customers with our initial payments for the purchases of the corresponding underlying equipment; and (ii) the increase of our total finance lease receivables resulting from the expansion of our business during the Track Record Period. Our operating cash flows before working capital changes were RMB8.8 million, RMB23.3 million and RMB32.8 million for the same periods, which was generally in line with our continuous increase in revenue generated from the three segments during the Track Record Period. For a detailed analysis, please see “Financial Information — Liquidity and Capital Resources — Cash Flow”.

Key operational and financial data

Selected Financial Ratios

	Year ended 31 December		
	2014	2015	2016
	%	%	%
Return on equity ⁽¹⁾	2.1	2.4	5.2
Return on total assets ⁽²⁾	0.7	0.8	1.6
Net interest spread for finance lease ⁽³⁾	3.7	1.6	3.0
Net interest margin for finance lease ⁽⁴⁾	4.2	4.2	5.2
Net interest spread for factoring ⁽⁵⁾	14.9	6.1	2.5
Net interest margin for factoring ⁽⁶⁾	15.2	11.3	14.2
	As at 31 December		
	2014	2015	2016
Gearing ratio ⁽⁷⁾	1.5	1.4	1.6
Non-performing assets ratio for finance lease ⁽⁸⁾ (%)	—	8.3	5.3
Non-performing assets ratio for factoring ⁽⁹⁾ (%)	—	12.9	13.1

(1) Calculated based on the net profit for the respective period divided by the total equity as at the respective date and multiplied by 100%.

(2) Calculated based on the net profit for the respective period divided by the total assets at the respective date and multiplied by 100%.

(3) Calculated as the difference between the average yield on the finance lease related assets and the average cost of the interest-bearing liabilities of finance lease business and multiplied by 100%.

(4) Calculated by dividing net interest income by average balance of the finance lease related assets as at 1 January, 30 June and 31 December 2014, 2015 and 2016 for years ended 31 December 2014, 2015 and 2016, respectively, for finance lease business and multiplied by 100%.

(5) Calculated as the difference between the average yield on the factoring related assets and the average cost of the interest-bearing liabilities of factoring business and multiplied by 100%.

(6) Calculated by dividing net interest income by average balance of the factoring related assets as at 1 January, 30 June and 31 December 2014, 2015 and 2016 for years ended 31 December 2014, 2015 and 2016, respectively, for factoring business and multiplied by 100%.

(7) Calculated based on the total debt (which includes interest-bearing bank and other borrowings and amount due to an intermediate holding company) divided by total equity as at the respective dates.

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(8) Calculated by dividing finance lease related non-performing assets by present value of minimum lease payment as at the respective date multiplied by 100%.

(9) Calculated by dividing factoring related non-performing assets by factoring receivables as at the respective date multiplied by 100%.

We experienced fluctuations in our net interest margin and net interest spread in our finance lease and factoring segments during the Track Record Period. For a detailed analysis of such fluctuations, see “Financial Information — Description of Selected Items in Consolidated Statements of Comprehensive Income — Net Interest Spread and Net Interest Margin”.

Source of Revenue

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Finance lease income	27,549	53.0	36,206	52.0	45,396	59.7
Factoring service income	6,368	12.3	12,713	18.3	11,838	15.5
Advisory service fee income	18,359	35.4	21,361	30.7	19,138	25.2
Less: Business tax and surcharge	(371)	(0.7)	(669)	(1.0)	(325)	(0.4)
Total revenue	<u>51,905</u>	<u>100.0</u>	<u>69,611</u>	<u>100.0</u>	<u>76,047</u>	<u>100.0</u>

The following table sets out the contribution of each industry category to our finance lease income during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
FMCG	12,203	44.3	15,899	43.9	10,420	23.0
Electronics	10,533	38.2	8,980	24.8	4,691	10.3
Medical	559	2.0	4,247	11.7	12,533	27.6
Alternative Energy	2,054	7.5	4,180	11.5	12,730	28.0
Transportation	1,317	4.8	2,285	6.3	2,335	5.1
Others	883	3.2	615	1.8	2,687	5.9
Total	<u>27,549</u>	<u>100.0</u>	<u>36,206</u>	<u>100.0</u>	<u>45,396</u>	<u>100.0</u>

For more information on the market drivers for each of the above industries, see “Business — Customer Industry Analysis”.

SUMMARY

Accounts receivables by industry

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

	As at 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Present value of minimum lease payments						
FMCG	226,285	43.9	200,969	30.1	232,673	26.6
Electronics	147,513	28.6	95,032	14.2	82,919	9.5
Alternative energy	42,781	8.3	204,757	30.7	208,411	23.8
Medical	34,128	6.6	101,048	15.1	191,437	21.9
Transportation	32,124	6.2	34,369	5.1	53,928	6.2
Others	<u>33,019</u>	6.4	<u>31,753</u>	4.8	<u>104,734</u>	12.0
	515,850	100.0	667,928	100.0	874,102	100.0
Less: Provision for finance lease receivables	<u>(2,579)</u>		<u>(14,186)</u>		<u>(15,045)</u>	
	<u>513,271</u>		<u>653,742</u>		<u>859,057</u>	

The following table sets forth our factoring receivables by industry as at the dates indicated:

	As at 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Factoring receivables						
Education	20,000	36.9	22,000	16.8	—	—
Property leasing	12,030	22.2	61,000	46.6	—	—
Wholesale and retail	14,864	27.4	9,890	7.6	3,898	7.6
Manufacturing	7,293	13.5	25,606	19.6	38,576	74.7
Medical	<u>—</u>	<u>—</u>	<u>12,300</u>	<u>9.4</u>	<u>9,140</u>	<u>17.7</u>
	54,187	100.0	130,796	100.0	51,614	100.0
Less: Provision for factoring receivables	<u>(271)</u>		<u>(2,949)</u>		<u>(1,557)</u>	
	<u>53,916</u>		<u>127,847</u>		<u>50,057</u>	

During the Track Record Period, for the finance lease segment, we intend to continue developing the traditional FMCG and electronics industries and also focus and intensify our efforts in more

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promising downstream industries such as medical and alternative energy. And for the factoring segment, we actively explore the property leasing, manufacturing and medical industries with growing landscapes in the PRC and reduced the connections with the education and wholesale and retails industries.

Loan to value ratio and value of collaterals taken

During the Track Record Period, we recorded overall loan to value ratios of 56.2%, 47.4% and 48.6%, respectively. The overall loan to value ratio decreased throughout the Track Record Period primarily due to the collateral value increased at a higher rate than increase in accounts receivable. During the Track Record Period, we recorded aggregate value of collateral of RMB925.2 million, RMB1,362.6 million and RMB1,799.1 million, respectively. The increase was primarily due to the increase in number of subsisting finance leases. For details on our loan to value ratio and value of collaterals taken as security for our finance leases, see “Business — Our Business Model and Source of Revenue — (A) Finance Leasing — Lease Assets and Collateral”. As at 31 March 2017, our loan to value ratio of our finance leases was 51.3%.

Maturity profile of the receivables

The following table sets forth, as of the dates indicated, the maturity profile of our Group’s financial assets and liabilities based on contractual undiscounted cash flows. ^{Note}

	On demand	Within 1 month to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total contractual undiscounted cash flow	Total Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016							
Total financial assets	43,736	173,236	346,019	317,880	232,837	1,113,708	952,850
Total financial liabilities	(510,080)	(7,572)	(33,619)	(48,226)	(72,329)	(671,826)	(671,826)
Net liquidity gap	<u>(466,344)</u>	<u>165,664</u>	<u>312,400</u>	<u>269,654</u>	<u>160,508</u>	<u>441,882</u>	<u>281,024</u>
As at 31 December 2015							
Total financial assets	66,591	118,007	453,813	208,973	141,756	989,140	848,180
Total financial liabilities	(438,395)	(2,508)	(45,843)	(7,121)	(101,264)	(595,131)	(595,032)
Net liquidity gap	<u>(371,804)</u>	<u>115,499</u>	<u>407,970</u>	<u>201,852</u>	<u>40,492</u>	<u>394,009</u>	<u>253,148</u>
As at 31 December 2014							
Total financial assets	100,387	100,157	261,318	233,500	75,694	771,056	667,574
Total financial liabilities	(381,134)	—	(1,910)	(751)	(95,549)	(479,344)	(479,344)
Net liquidity gap	<u>(280,747)</u>	<u>100,157</u>	<u>259,408</u>	<u>232,749</u>	<u>(19,855)</u>	<u>291,712</u>	<u>188,230</u>

SUMMARY

Note: The data set forth in the table above refers to Note 36 “Financial Risk Management — Liquidity Risk” as set forth in the “Accountants’ Report” in Appendix I to this prospectus. This data represents our Group’s financial assets and liabilities based on our total carrying amount as well as our total contractual undiscounted cash flows.

During the Track Record Period, we have been able to prudently match the expiry of our financial assets with the maturity of our financial liabilities. As at 31 December 2014, 2015 and 2016, we had a net liquidity shortfall of RMB280.7 million, RMB371.8 million and RMB466.3 million for the category of “on demand”. Our negative net liquidity gap for such periods is mainly due to our interest-bearing bank and other borrowings and amount due to an intermediate holding company. We believe that such a gap will not have a material impact on our liquidity risk in the foreseeable future as the surplus generated from those periods would be able to cover such gap.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to focus on expanding our finance leasing and factoring business without compromising our stringent risk management measures. As a result of our effective and mature risk management measures, no additional non-performing finance leasing assets during the three months ended 31 March 2017 have been identified by us. During the three months ended 31 March 2017, we provided a total financing amount of RMB95.6 million in respect of 19 finance leases contracts entered into, compared with a total financing amount of RMB76.7 million provided for the same period in 2016 in respect of 21 finance leases contracts entered into. The increase in total financing amount was primarily due to our strategy in developing higher quality customers who generally have larger financing needs to expand their operations. In relation to our factoring business, during the three months ended 31 March 2017, we have provided a total financing amount of RMB5.0 million in respect of one factoring agreement entered into, compared with a total financing amount of RMB11.8 million provided for the same period in 2016 in respect of three factoring agreements entered into. The decrease was primarily due to our strategy to gradually reduce our number of factoring projects in the industrial and manufacturing industries, which generally have larger financing amounts per project.

Our Group’s gross profit margin is expected to decline in 2017 as compared to that of 2016 mainly due to the expected increase in our Group’s direct costs in 2017. Such increase is due to the change of loan structure from (i) interest-free intercompany borrowings to interest-bearing intercompany borrowings and bank and other borrowings; and (ii) intercompany borrowings with lower interest rate to bank and other borrowings with higher interest rate. As at 31 December 2016, our bank and other borrowings, which amounted to RMB500.9 million, carried interest rates ranging from 4.75% to 5.7% per annum. For the year ending 31 December 2017, we expect that our bank and other borrowings will remain at similar or higher levels in view of our Group’s growing business scale and hence our direct costs for the same year is expected to be significantly higher than our direct costs of RMB10.5 million for the year ended 31 December 2016. For details on the expected increase in our Group’s direct costs, see “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Interest-bearing bank and other borrowings”.

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The *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (“**New VAT law**”), which became effective on 1 May 2016, have implemented new tax rates applicable to finance leasing and factoring transactions. For further details, see “Regulations — Laws and Regulations Relating to Taxation — Business Tax”. As at the Latest Practicable Date, we have not noticed any material changes to our finance leasing and factoring operations as a result of the implementation of the New VAT law.

In March 2017, we entered into an agreement with a finance lease customer pursuant to which we agreed to early repayment of the outstanding finance lease receivables in respect of three finance lease transactions, which were entered into during the year ended 31 December 2015. As at 28 February 2017, the outstanding finance lease receivables (netting off security deposits, receipt in advance, and collective impairment allowance) amounted to RMB44.5 million. The consideration after deducting VAT of RMB42.2 million was determined based on arm’s length negotiation, and was received in full by us. Accordingly, we incurred a loss of RMB2.3 million. The Directors are of the view that the early repayment by that customer was in the interests of the Group because (i) we closely monitor our portfolio and we became aware that this customer might be in financial difficulty, and although that customer did not default on any of its payments to us, we initiated the negotiation to settle at a consideration lower than the outstanding finance lease receivables (netting off security deposits, receipt in advance, and collective impairment allowance) to limit our exposure; (ii) despite the loss of RMB2.3 million, these three transactions generated an aggregate finance lease income of RMB6.5 million up to the date of repayment; and (iii) the early repayment would allow us to redeploy the funding in other potential finance lease transactions.

Our Directors have confirmed that, since 31 December 2016 and up to the date of this prospectus, save as disclosed above in this subsection, there has been no material adverse change in our Group’s financial or trading position.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately RMB101.0 million assuming an Offer Price of HK\$1.59 being the mid-point of the Offer Price range from HK\$1.31 to HK\$1.87, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer and on the basis that the Offer Size Adjustment Option is not exercised; or of RMB119.5 million upon the exercise of the Offer Size Adjustment Option in full. We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 75% (approximately RMB75.8 million) for expanding our finance leasing operations;
- approximately 20% (approximately RMB20.2 million) for expanding our factoring operations; and

SUMMARY

- approximately 5% (approximately RMB5.0 million) for our working capital and other general corporate purposes.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Offer Size Adjustment Option is not exercised.

	Market capitalisation of the Shares <i>HK\$</i>	Audited consolidated net tangible assets of the Group as at 31 December 2016 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>RMB'000</i> <i>(Notes 2,4)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>RMB</i> <i>HK\$</i> <i>(Notes 3,4)</i>	
Based on Offer Price of HK\$1.31 per Offer Share	<u>470,735,400</u>	<u>309,285</u>	<u>90,023</u>	<u>399,308</u>	<u>1.11</u>	<u>1.24</u>
Based on Offer Price of HK\$1.87 per Offer Share	<u>671,965,800</u>	<u>309,285</u>	<u>135,093</u>	<u>444,378</u>	<u>1.24</u>	<u>1.38</u>

Notes: Please see page 264 for Notes (1) to (4) above.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be RMB26.9 million. As at 31 December 2016, we have incurred listing expenses of RMB11.5 million for the Share Offer, of which RMB8.7 million has been charged to our consolidated statements of comprehensive income and RMB2.8 million has been included in prepayments, which will be recognised as a deduction in equity upon completion of the Share Offer. We expect to incur an additional listing expenses of RMB15.4 million until the completion of the Share Offer, of which RMB8.3 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 December 2017 and RMB7.1 million is expected to be recognised as a deduction in equity directly. We do not expect these expenses to have a material adverse impact on our results of operation during the year ending 31 December 2017.

DIVIDEND POLICY

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after

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taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Company Law, including the approval of our Shareholders.

No dividend had been declared or distributed by our Company since its incorporation up to and including the Latest Practicable Date. After the Listing, declaration of dividends will be subject to the recommendation of our Board after considering the above factors. Subject to the factors described above, our Board intends to recommend dividends of no less than 30% of our net profit available for distribution to the Shareholders in a financial year.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

There can be no assurance that we will be able to declare or distribute any dividend after completion of the Share Offer.

RISK FACTORS

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

- Our customer base for our finance leasing business is concentrated in the PRC's FMCG, electronics, medical, alternative energy and transportation industries. Any slowdown in the PRC's FMCG, electronics, medical, alternative energy, or transportation industries could have a material adverse effect on our financial condition, results of operations and growth prospects.
- We derive a significant portion of our income from SMEs, which may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and may therefore pose a higher risk of default.
- We are subject to the credit risks of our customers (and the underlying debtor, in the case of our factoring business), and may not receive full and/or timely repayment of our receivables.
- We cannot assure you that we can or will continue to match the maturity profile of our assets and liabilities as both our assets and liabilities grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities, which could materially and adversely affect our business, financial condition and results of operations.
- We rely on a few banks for our funding sources.
- Our high level of bank borrowings and high gearing ratio may expose us to liquidity risk.

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- Our provisions for impairment losses on receivables may not be adequate to cover future credit losses.

LAWS AND REGULATIONS IN THE PRC RELATING TO OUR BUSINESS

The major regulations in China regulating the foreign-invested finance leasing business include the *Measures on the Administration of Foreign Investment in the Leasing Industry* (《外商投資租賃業管理辦法》) promulgated by the MOFCOM on 3 February 2005 and amended in 2015 (the “**Measures**”) and the *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa [2013] No. 337) (《融資租賃企業監督管理辦法》商流通發[2013]337號) promulgated by the MOFCOM that took effect on 1 October 2013 (the “**Administrative Measures**”). The Measures regulate the conditions for the establishment, and the operation, of companies that are engaged in the foreign-invested finance leasing business, where the major relevant stipulations include: (i) the term of operation of a foreign-invested finance leasing company in the form of a limited liability company normally shall not exceed 30 years (since our Company was converted from a limited liability company into a joint stock limited company in September 2015, this condition no longer applies to us as we have ceased to be a limited liability company); (ii) the total assets of the foreign investors of a foreign-invested finance leasing company may not be less than USD 5 million; (iii) such company shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years’ experience in the business; (iv) the scope of its business operations shall fall within the category of finance leasing business, leasing business, domestic or overseas purchase of leased property, disposal of the residual value and maintenance of leased property, consultancy and guarantee in respect of lease transactions, and such other business as is approved by the review and approval authorities; and (v) its risk assets shall generally not exceed 10 times of the total amount of its net assets. The Administrative Measures mainly provide for the operating standards and supervisory and management measures in respect of finance leasing companies. Such provisions stipulate, among others, that a finance leasing enterprise shall establish an adequate internal control system and a sound regime for classifying and managing its risk assets, adopt a credit appraisal system for lessees, a subsequent recovery and disposal system and a risk alert mechanism, and that it shall also report matters such as its operating status and corporate changes to the competent authorities in a timely manner.

Apart from the provision that “the term of operation of a foreign-invested finance leasing company in the form of a limited liability company normally shall not exceed 30 years” which no longer applies to us as we have ceased to be a limited liability company in September 2015 when our Company was converted from a limited liability company into a joint stock limited company, our Company has satisfied and complied with all relevant provisions under the Measures and the Administrative Measures in respect of companies engaged in the foreign-invested finance leasing business. The Economy, Trade and Information Commission of Shenzhen Municipality, which is our Company’s industry regulator, has also issued the *Regulatory Opinion on FY Financial (Shenzhen) Co., Ltd.* (Shen Jing Mao Xin Xi Wai Zi Zi [2016] No. 87) (《關於富銀融資租賃(深圳)股份有限公司的監管意見函》深經貿信息外資字[2016]87號), confirming that our Company has complied with the provisions under the industry policies and laws and regulations in respect of finance leasing, including the Measures. Please see “Regulations” for details of the description of the other laws and regulations that are applicable to our Company.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the “Glossary of Technical Terms”

“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 9 June 2016 and amended on 21 April 2017, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“Beijing Medical”	Beijing Shan Shan Medical Technology Development Co., Ltd. (北京杉杉醫療科技發展有限公司), a company established in the PRC on 16 February 2011 and a wholly-owned subsidiary of our Company
“Business Day”	a day (other than Saturdays, Sundays or public holidays) on which licensed banks in Hong Kong are generally open for normal banking business
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CFDA”	China Food and Drug Administration (國家食品藥品監督管理總局)
“CFEC”	Commercial Factoring Expertise Committee of China Association of Trade in Services (中國服務貿易協會商業保理專業委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central government”, “Chinese government” or “PRC government”	the central government of PRC, including all government subdivisions (including provincial, municipal or other regional or local government entities) and instrumentalities
“CIC”	China Insights Consultancy Limited, a market research and consulting company, an Independent Third Party
“CIC Report”	a market research report entitled “Industry Report of China’s Finance Leasing and Factoring Market” commissioned by us and prepared by CIC
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), which was converted into a joint stock company with limited liability on 10 September 2015 in the PRC, whose predecessor was Fullin
“Company Law”	the Company Law of PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)

DEFINITIONS

“Dayuan Tiandi”	Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司), a company established in the PRC on 19 December 2001 and a substantial shareholder of our Company. It is owned as to 55% by Mr. Zhao Dehua (趙得驊) and 45% by Mr. Gong Liang (貢亮)
“Deed of Indemnity”	the deed of indemnity dated 25 April 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries), pursuant to which our Controlling Shareholders agree to provide certain indemnities, particulars of which are set out in “Statutory and General Information — D. Other Information — 1. Estate Duty, Tax and Indemnities” in Appendix V to this prospectus
“Director(s)”	the director(s) of our Company
“Domestic Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC natural persons or entities established under the laws of the PRC and are unlisted Shares which are currently not listed or traded on any stock exchange
“Dongxing Securities”, “Sole Sponsor”, “Sole Bookrunner” or “Sole Lead Manager”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor, sole bookrunner and sole lead manager of the Share Offer
“electronic application instruction”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
“Fullin”	Fullin Financial Leasing (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a company established in the PRC on 7 December 2012 and the predecessor of our Company
“Fullin Factoring”	Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司), a company established in the PRC on 9 May 2013 and a wholly-owned subsidiary of our Company
“Fullin Jinkong”	Shenzhen Fullin Jinkong Asset Management Co., Ltd. (深圳富銀金控資產管理有限公司), a company established in the PRC on 20 June 2013 and owned as to 20% by Shanshan, 20% by Mr. Li Peng, our executive Director, and the remaining 60% by an Independent Third Party. It is a limited partner of Shequn No. 1 and Shequn No. 2

DEFINITIONS

“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“GEM Website”	the Internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the GEM
“HKAS”	the Hong Kong Accounting Standards
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form service at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	the Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong H Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, supervisors, chief executive or substantial shareholders of our Company, its subsidiaries or their respective associates
“IMF”	the International Monetary Fund
“INED(s)”	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)
“Latest Practicable Date”	1 May 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the H Shares on GEM
“Listing Date”	the date on which the H Shares are listed and from which dealings in H Shares on the GEM commences, which is expected to be on or about 23 May 2017
“Listing Division”	the listing division of the Stock Exchange
“Longding Huayuan”	Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司), a company established in the PRC on 8 October 2000. It is owned as to 90% by Dayuan Tiandi and the remaining 10% by certain Independent Third Parties
“Longyou Baosheng”	Longyou Baosheng Investment Co., Ltd. (龍游寶盛投資有限公司), a company established in the PRC on 2 April 2013 and a shareholder of our Company. It is owned as to 40% by Zhejiang Longyou and the remaining by certain Independent Third Parties
“Longyou Shunlong”	Longyou Shunlong Investment Co., Ltd. (龍游順龍投資有限公司), a company established in the PRC on 18 November 2010 and wholly owned by Mr. Zhuang Wei (莊巍), our non-executive Director
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM
“MOFCOM”	Ministry of Commerce of the PRC

DEFINITIONS

“Mr. Zheng”	Mr. Zheng Yonggang (鄭永剛), one of our Controlling Shareholders
“Ms. Zhou”	Ms. Zhou Jiqing (周繼青), one of our Controlling Shareholders
“Nantong Shanshan”	Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)), a limited partnership established in the PRC on 8 June 2012 by Shanghai Shanshan Chuanghui Venture Investment Management Co., Ltd. (上海杉杉創暉創業投資管理有限公司), an indirect subsidiary of Shanshan, as a general partner, and Ningbo Venture Investment Co., Ltd. (寧波杉杉創業投資有限公司), a direct wholly-owned subsidiary of Shanshan, and certain Independent Third Parties as limited partners. It is a shareholder of our Company
“NEEQ”	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“Ningbo Yonggang”	Ningbo Yonggang Clothing Investment Co., Ltd. (寧波甬港服裝投資有限公司), a company established in the PRC on 27 April 2005 and one of our Controlling Shareholders. It is owned as to 96.93% by Shanshan Holding and the remaining by certain employees and ex-employees of Shanshan
“Nomination Committee”	the nomination committee of the Board
“Non-Competition Agreements”	the non-competition agreement dated 8 June 2016 entered into by Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng in favour of our Company and the non-competition agreement dated 26 April 2017 entered into by Ms. Zhou in favour of our Company, particulars of which are set out in “Relationship with Controlling Shareholders — Non-Competition Undertakings”
“Offer Price”	the final price for each Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy), which will not be more than HK\$1.87 per Offer Share and expected to be not less than HK\$1.31 per Offer Share, such price to be fixed on or before the Price Determination Date
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Offer Size Adjustment Option

DEFINITIONS

“Offer Size Adjustment Option”	the option to be granted by our Company to the Underwriters exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriters), at their sole and absolute discretion under the Underwriting Agreements to require our Company to issue up to an additional 13,476,000 Shares, representing 15% of the number of the Offer Shares at the Offer Price, details of which are set out in “Structure and Conditions of the Share Offer”
“Parent Group”	Shanshan and its subsidiaries (other than members of our Group)
“PBOC”	People’s Bank of China
“Placing”	conditional placing by our Company of 80,856,000 H Shares for cash at the Offer Price in accordance with and subject to the terms and conditions specified in this prospectus, details of which are set out in “Structure and Conditions of the Share Offer”
“Placing Share(s)”	the 80,856,000 H Shares being offered at the Offer Price for subscription pursuant to the Share Offer, together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option subject to the terms and conditions as described in “Structure and Conditions of the Share Offer”
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and to be entered into by, among others, the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) and our Company on or about the Price Determination Date, particulars of which are summarised in “Underwriting”
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“PRC Contract Law”	the PRC Contract Law promulgated by the National People’s Congress on 15 March 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organizations
“PRC Legal Advisers”	Shu Jin Law Firm (廣東信達律師事務所), our legal advisers as to PRC law

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 15 May 2017 or such later date or time as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, and in any event no later than 18 May 2017, on which the Offer Price will be fixed for the purposes of the Share Offer
“Promoter(s)”	the promoters of our Company, namely Shanshan HK, Dayuan Tiandi, Zhonglian Jiakong, Nantong Shanshan, Shanlian Chuangtou, Shanmeng Chuangtou, Yuying Ziguan, Shequn No. 1 and Shequn No. 2
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in “Structure and Conditions of the Share Offer” at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transaction levy) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Share(s)”	the 8,984,000 H Shares being offered for subscription by our Company at the Offer Price under the Public Offer (subject to re-allocation as described in “Structure and Conditions of the Share Offer”)
“Public Offer Underwriters”	the underwriters of the Public Offer named in “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 9 May 2017 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in “Underwriting — Underwriting arrangements”
“Qinggang Investment”	Ningbo Qinggang Investment Co., Ltd. (寧波青剛投資有限公司), a company established in the PRC on 1 September 2014 and one of our Controlling Shareholders. It is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanlian Chuangtou”	Shanghai Shanlian Venture Capital Enterprises (Limited Partnership) (上海杉聯創業投資企業(有限合夥)), a limited partnership established in the PRC on 23 April 2013 by Shanghai Shanyou Venture Investment Management Co., Ltd. (上海杉友創業投資管理有限公司), which is owned as to 19% by Shanghai Shanshan Chuanghui Venture Investment Management Co., Ltd. (上海杉杉創暉創業投資管理有限公司), an indirect subsidiary of Shanshan, as a general partner, and certain Independent Third Parties as limited partners. It is a shareholder of our Company
“Shanmeng Chuangtou”	Shanghai Shanmeng Venture Capital Enterprises (Limited Partnership) (上海杉盟創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on 9 October 2014 by Shanghai Shanyou Venture Investment Management Co., Ltd. (上海杉友創業投資管理有限公司), which is owned as to 19% by Shanghai Shanshan Chuanghui Venture Investment Management Co., Ltd. (上海杉杉創暉創業投資管理有限公司), an indirect subsidiary of Shanshan, as a general partner, and certain Independent Third Parties as limited partners. It is a shareholder of our Company
“Shanshan”	Ningbo Shanshan Co., Ltd. (寧波杉杉股份有限公司), a joint stock limited company established in the PRC on 14 December 1992 whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所) with the stock code of 600884 and one of our Promoters and Controlling Shareholders. It is owned as to 23.79% by Shanshan Group, 16.09% by Shanshan Holding, 0.04% by Mr. Zheng and the remaining by other public shareholders
“Shanshan Group”	Shanshan Group Co., Ltd. (杉杉集團有限公司), a company established in the PRC on 28 June 1994 and one of our Controlling Shareholders. It is owned as to 62.96% by Ningbo Yonggang, 17.14% by Shanshan Holding and the remaining by certain Independent Third Parties

DEFINITIONS

“Shanshan Holding”	Shanshan Holding Co., Ltd. (杉杉控股有限公司), a company established in the PRC on 30 August 2004 and one of our Controlling Shareholders. It is owned as to 61.81% by Qinggang Investment, 2.20% by Longyou Shunlong and the remaining by certain employees of Shanshan through the respective companies controlled by them
“Shanshan Investment”	Beijing Shanshan Venture Investment Co., Ltd. (北京杉杉創業投資有限公司), a company established in the PRC on 7 July 2010 and an indirect wholly-owned subsidiary of Shanshan
“Shanshan HK”	Hong Kong Shanshan Resources Company Limited (香港杉杉資源有限公司), a company incorporated in Hong Kong on 27 July 2009, a wholly-owned subsidiary of Shanshan, and one of our Controlling Shareholders
“Share(s)”	ordinary share(s) having a par value of RMB1.00 each in the capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Offer”	collectively, the Placing and the Public Offer
“Shequn No. 1”	Shenzhen Shequn No. 1 Investments Management Partnership (Limited Partnership) (深圳市社群一號投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on 23 March 2015. It is owned as to 0.29% by Mr. Liu Guoqiu (劉國球), an employee of our Company, as a general partner and as to 1.00% by Fullin Jinkong, 28.24% by Mr. Li Peng (李鵬), 2.94% by Mr. Weng Jianxing (翁建興), both of whom are our executive Directors, 2.35% by Mr. Tian Xiuju (田秀舉) and 0.90% by Mr. Liu Bing (劉兵), both of whom are the Supervisors, and the remaining by certain other senior management and employees of our Company as limited partners. It is a shareholder of our Company
“Shequn No. 2”	Shenzhen Shequn No. 2 Investments Management Partnership (Limited Partnership) (深圳市社群二號投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on 23 March 2015. It is owned as to 3.75% by Mr. Sun Tao (孫濤), an employee of our Company, as a general partner and as to 2.25% by Fullin Jinkong, and the remaining by certain senior management and employees of our Company as limited partners. It is a shareholder of our Company
“SME”	small and medium enterprise
“SOE”	state-owned enterprise

DEFINITIONS

“Spin-off Circular”	the Circular on Issues Relevant to Regulatory Offshore Listing of Securities of Domestic Listed Companies (關於規範境內上市公司所屬企業到境外上市有關問題的通知) promulgated by the CSRC on July 21, 2004
“sq.m”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Substantial Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and details of our Substantial Shareholders are set out in “Substantial and Significant Shareholders”
“Supervisor(s)”	member(s) of the Supervisory Committee of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2016
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Unlisted Foreign Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi by persons other than PRC natural persons or entities established under the laws of the PRC and are Shares which are currently not listed or traded on any stock exchange
“United States” or “U.S.”	the United States of America
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax of the PRC (中華人民共和國增值稅)
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares”

DEFINITIONS

“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in “How to Apply for Public Offer Shares — 3. Applying for the Public Offer Shares”
“Yuying Ziguan”	Henan Yuying Asset Management Co., Ltd. (河南豫鷹資產管理有限公司), a company established in the PRC on 9 June 2014 and a shareholder of our Company. It is owned by Independent Third Parties
“Zhejiang Longyou”	Zhejiang Longyou Kangcheng Trading Co., Ltd. (浙江龍游康誠物貿有限公司), a company established in the PRC on 2 February 1999 and owned as to 88.40% by Mr. Dong Zhikang (董志康), a supervisor of Fullin Factoring, and 11.60% by Ms. Wu Hongyan (吳紅艷), the spouse of Mr. Dong Zhikang
“Zhongkezhi”	Shenzhen Zhongkezhi Capital Investment Co., Ltd. (深圳市中科智資本投資有限公司), a company established in the PRC on 16 January 2001 and an Independent Third Party
“Zhonglian Jinkong”	Shenzhen Zhonglian Jinkong Investment Development Co., Ltd. (深圳眾聯金控投資發展有限公司), a company established in the PRC on 31 December 2014 and a shareholder of our Company. It is owned by certain Independent Third Parties
“%”	per cent.

Unless otherwise specified, for the purpose of this prospectus and for illustration purposes only, amounts denominated in Hong Kong dollars have been converted to RMB at the rate of RMB0.89583:HK\$1.00, and vice versa. For details, see “Information about this Prospectus and the Share Offer — Exchange Rate Conversion”. Our Company does not make any representation that any amounts in RMB or Hong Kong dollars had been or may be converted at the date of this prospectus or any other date at such rate or any other rate.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all times refer to Hong Kong time and references to years in this prospectus are to calendar years.

If there is any inconsistency between the Chinese names of the entities, companies or legal entities incorporated in PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such entities, companies or legal entities are provided for illustration purposes only.

GLOSSARY OF TECHNICAL TERMS

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“FMCG”	fast-moving consumer goods
“GDP”	gross domestic product
“non-performing assets”	finance lease receivables or factoring receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of finance lease receivables that can be reliably estimated. These finance lease receivables or factoring receivables are classified as “substandard”, “doubtful” or “loss”
“non-performing assets ratio”	percentage of non-performing assets over present value of minimum lease payment or factoring receivables

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors”, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- our profit estimate and other prospective financial information.

The words “anticipate”, “aim”, “believe”, “could”, “continue”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “should”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors”.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to our Company. Potential investors should pay particular attention to the fact that the Company is a PRC company, the Group's business is mainly located in China and the Group is governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. The occurrence of any of the following events may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the H Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our customer base for our finance leasing business is concentrated in the PRC's FMCG, electronics, medical, alternative energy and transportation industries. Any slowdown in the PRC's FMCG, electronics, medical, alternative energy, or transportation industries could have a material adverse effect on our financial condition, results of operations and growth prospects.

Our finance lease income was derived from customers in the FMCG, electronics, medical, alternative energy and transportation industries for the years ended 31 December 2014, 2015 and 2016, 96.8%, 98.2% and 94.1%, respectively. If any slowdown in these industries in the PRC occurs due to any change in the PRC government's policies for the respective industry or otherwise, this may affect the demand for our customers' products and services in these industries, which may in turn affect our customers' ability to make payments to us in a timely manner or at all. This may have a material adverse effect on our financial condition, results of operations and growth prospects.

We derive a significant portion of our income from SMEs, which may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and may therefore pose a higher risk of default.

Our business relies significantly on SMEs to generate income. SMEs may be subject to significant variations in their results of operations because they often engage in rapidly evolving businesses and industries. As compared to larger businesses, SMEs may have a weaker financial position or may be more susceptible to adverse changes in market conditions, competition and general economic conditions. Some of our SME customers may have weak accounting controls and may lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. A number of factors may affect an SME's ability to meet its interest payments to us. Such factors include the failure to implement its business plan, a downturn in its market and adverse general economic conditions. As such, SMEs may pose increased default risks relative to larger businesses.

If we are unable to effectively mitigate credit risk and maintain our asset quality, our financial condition, results of operations and growth prospects may be materially and adversely affected.

The sustainability of our business and future growth depends largely on our ability to effectively manage our credit risk and maintain the quality of our accounts receivable portfolio. Any deterioration

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in our asset quality or impairment in the collectability of our accounts receivable could have a material adverse effect on our financial condition, results of operations and growth prospects. As at 31 December 2014, 2015 and 2016, our non-performing assets ratio of our finance lease business was nil, 8.3% and 5.3%, respectively, while our non-performing assets ratio of our factoring business was nil, 12.9% and 13.1%, respectively. We may not be able to effectively control the level of new non-performing assets in the future. The amount of our non-performing assets may increase in the future due to an increase in our accounts receivable portfolio over the Track Record Period, or a deterioration in the quality of our accounts receivable portfolio. As at 31 December 2014, 2015 and 2016, our net finance lease receivables from customers were RMB513.3 million, RMB653.7 million, and RMB859.1 million, respectively, and our net factoring receivables from customers were RMB53.9 million, RMB127.8 million and RMB50.1 million, respectively. The quality of our accounts receivable portfolio may deteriorate for a variety of reasons, including factors beyond our control such as a slowdown of the PRC or global economy, a recurrence of a global financial crisis or other adverse macroeconomic trends that may cause operational, financial and liquidity problems for our customers. If the level of our impaired accounts receivable increases in the future, our financial condition, results of operations and growth prospects may be materially and adversely affected.

We are subject to the credit risks of our customers (and the underlying debtor, in the case of our factoring business), and may not receive full and/or timely repayment of our receivables.

Our business principally involves providing financing to customers on the premise that such financing amounts will be repaid together with interest. Our business is therefore subject to risks that our customers (and the underlying debtor, in the case of our factoring business) may default on their repayment obligations. If our customers (or the underlying debtor, in the case of our factoring business) delay or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables, and/or incur additional legal costs in order to enforce our collateral, which in turn may adversely affect our financial condition, results of operations and growth prospects.

We cannot assure you that we can or will continue to match the maturity profile of our assets and liabilities as both our assets and liabilities grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities, which could materially and adversely affect our business, financial condition and results of operations.

We seek to match the maturity profile of our financial assets and financial liabilities on an ongoing basis. As at 31 December 2014, 2015 and 2016, our total financial assets, based on the contractual undiscounted cash flows, amounted to RMB771.1 million, RMB989.1 million and RMB1,113.7 million, respectively, while our total financial liabilities, based on the contractual undiscounted cash flows, amounted to RMB479.3 million, RMB595.1 million and RMB671.8 million, respectively. As at 31 December 2014, 2015 and 2016, we had a net liquidity shortfall of RMB280.7 million, RMB371.8 million and RMB466.3 million for the category of “on demand”, and as at 31 December 2014, we had a net liquidity shortfall of RMB19.9 million for the category of “over 2 years”. Our negative liquidity gap for such periods is mainly due to our interest-bearing bank and other borrowings and amounts due to an intermediate holding company. For the years ended 31 December 2014, 2015 and 2016, based on the scheduled repayment dates in the loan agreements and without taking into account any repayment on demand clause, our bank and other borrowings that were

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due on demand or within one year amounted to RMB114.0 million, RMB101.3 million and RMB380.7 million, respectively; our bank and other borrowings that were due after a year but within two years were RMB200.0 million, nil and RMB71.3 million, respectively whilst our bank and other borrowings that were due after two years but within five years were nil, nil and RMB49.0 million, respectively. All of our banking facilities are subject to the fulfilment of covenants relating to our certain financial ratios that are commonly found in lending arrangements with financial institutions. If we are unable to maintain those ratios, the banking facilities would become repayable on demand. In addition, some of our term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether we have complied with the covenants and met the scheduled repayment obligations. For further details on our net liquidity position, see “Financial Information — Liquidity and Capital Resources — Liquidity and Net Current Assets”. We cannot assure you that the banks will not exercise its right to demand immediate repayment of our banking facilities, or that we will not have any net liquidity shortfall, in the future. If any net liquidity shortfalls occur in the future, we may not be able to meet our financial liabilities as they fall due, and our ability to obtain sufficient additional financing may be impaired. This may have a material adverse effect on our business, financial condition and results of operations.

We had net current liabilities position as at 31 December 2016.

As at 31 December 2016, we had net current liabilities of RMB51.5 million. Please see “Financial Information — Liquidity and Capital Resources — Liquidity and Net Current Assets” in this prospectus. We may experience net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on commercially acceptable terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We repaid all bank borrowings guaranteed by our related parties as at 31 December 2016, and we may not be able to obtain sufficient bank and other borrowings on similar terms after the Listing to support our future growth.

During the Track Record Period, we incurred bank borrowings guaranteed by our related parties. As at 31 December 2014, 2015 and 2016, we had such outstanding borrowings of RMB314.0 million, RMB85.2 million and nil, respectively, representing 100.0%, 84.1%, and nil respectively, of our total bank and other borrowings. If our related parties did not guarantee such loans, we might not have been able to obtain the same amount of borrowings on similar terms during the Track Record Period to support our growth. As at 31 December 2016, we repaid all borrowings guaranteed by our related parties in full. After the Listing, our funding capability would rely on our own credit and, if we use our finance lease equipment and/or accounts receivable as collateral, the quality of such equipment and/or receivables. If we cannot obtain sufficient bank and other borrowings on commercially acceptable terms to fund our finance leasing business and factoring business, our liquidity would be adversely affected, and there could be a material adverse effect on our financial condition, results of operations and growth prospects.

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We rely on a few banks for our funding sources.

During the Track Record Period, we obtained funding from a small number of commercial banks, which are Independent Third Parties. As at 31 December 2014, 2015 and 2016, our largest banks accounted for 63.7%, 74.1% and 100.0%, respectively, of our total bank borrowings. In September 2016, we have obtained an entrusted loan of RMB300.0 million through a state-owned commercial bank in the PRC. Subsequently, in November and December 2016, we have obtained two more loans of RMB100.0 million and RMB100.0 million, respectively, from the same state-owned commercial bank in the PRC. Failure to obtain the required financing in the future or to raise the necessary funding to finance our operations could adversely affect our financial condition, results of operations and growth prospects.

Subject to the general economic conditions and the interest rate fluctuations, which are outside our control, there is no guarantee that we will be able to obtain further financing on commercially acceptable terms or at all. Negative sentiment in the capital and credit markets could lead to commercial banks being less willing to provide financing for our business on terms that are commercially acceptable to us.

Our high level of bank and other borrowings and high gearing ratio may expose us to liquidity risk.

During the Track Record Period, we relied significantly on bank borrowings to finance our business operations. We expect that we may continue to do so in the future. As at 31 December 2014, 2015 and 2016, our outstanding bank and other borrowings amounted to RMB314.0 million, RMB101.3 million and RMB500.9 million, respectively, while our gearing ratio was 1.5, 1.4 and 1.6, respectively. Our high level of bank borrowings and gearing ratio could materially and adversely affect our liquidity. For example, the high level of bank borrowings and high gearing ratio could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes;
- increase our vulnerability to adverse economic or industry condition;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- potentially restrict us from pursuing potential strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

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We cannot assure you that we will not have a high level of bank borrowings and/or high gearing ratio in the future. The high level of bank borrowings and/or high gearing ratio would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our financial condition, results of operations and growth prospects could be materially and adversely affected.

Our net cash outflow from operating activities may affect our liquidity.

For the years ended 31 December 2014, 2015 and 2016, our Group's net cash outflows from operating activities amounted to RMB306.3 million, RMB157.9 million and RMB91.6 million, respectively, primarily attributable to increase in accounts receivable in our ordinary course of business. For details, see "Financial Information — Liquidity and Capital Resources — Cash flow — Operating activities". We cannot assure you that we will not experience any period of net cash outflow from operating activities in the future. Our liquidity in the future will to an extent depend on our ability to maintain adequate cash inflows from operating activities primarily generated from our outstanding accounts receivable. Should there be any significant deterioration in the quality of our accounts receivable portfolio, our liquidity and cash flows from operating activities could be materially and adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As at 31 December 2014, 2015 and 2016, our deferred tax assets amounted to RMB0.9 million, RMB4.2 million and RMB4.2 million, respectively, which represent the allowance for impairment losses of certain accounts receivables and unused tax losses from our group companies. For details of the movements of our deferred tax assets during the Track Record Period, please see Note 17 to the Accountants' Report in Appendix I to this prospectus. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

Our limited operating history makes it difficult to evaluate our results of operations and prospects.

Fullin, the predecessor of our Company, and Fullin Factoring were established on 7 December 2012 and 9 May 2013 respectively. For the years ended 31 December 2014, 2015 and 2016, our total revenue amounted to RMB51.9 million, RMB69.6 million and RMB76.0 million, respectively. Although we have generally experienced revenue growth since our inception, we cannot assure you that our revenue will continue to increase at previous rates or at all, or that we will be able to operate profitably in the future. Our limited operating history makes it difficult to evaluate our prospects and

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future profitability. You should consider our prospects and future profitability in light of the risks, uncertainties, expenses and difficulties encountered by any new company. Such risks and uncertainties may affect our Group's ability to develop and maintain our range of services for our customers and to compete with our competitors.

Our provisions for impairment losses on receivables may not be adequate to cover future credit losses.

We make provisions for impairment losses on receivables in accordance with HKFRS. Our impairment loss on accounts receivable amounted to RMB3.4 million, RMB14.3 million and RMB8.0 million for the years ended 31 December 2014, 2015 and 2016, respectively. As our impairment provision under HKFRS require significant judgment and estimation, our allowance for impairment provision may not be adequate to cover future credit losses in our business operations. If adverse changes occur to the PRC economy or if other events adversely affect our customers, industries or markets, we may need to make additional impairment provision for our receivables, which could significantly reduce our profit and may adversely affect our financial condition, results of operations and growth prospects.

We are subject to the risk of early repayment of outstanding receivables from our customers, which may expose us to loss.

We agree to early repayment of outstanding finance lease receivables from time to time due to the nature of our business. We did not incur any loss as a result of early repayment of outstanding finance lease receivables during the Track Record Period. However, subsequent to the Track Record Period, in March 2017, we entered into an agreement with a finance lease customer pursuant to which we agreed to early repayment of the outstanding finance lease receivables in respect of three finance lease transactions, and a loss of RMB2.3 million was recorded as a result of this sale. For details, see "Financial Information — Recent development and no material adverse change".

There is no assurance that our Group will not agree to early repayment of the outstanding receivables from our customers that will result in losses in the future. In such circumstances, our profitability and results of operations may be adversely affected.

We may not be able to retain members of our management team and other key personnel.

We depend on the continued efforts of our senior management team and other key employees for our success. Our executive Directors (namely Mr. Li Peng and Mr. Weng Jianxing) and our senior management (including Ms. Wang Ying) play vital roles in our operations. Each of them has years of experience in the finance leasing and/or factoring industries in the PRC, and they collectively possess a deep understanding of our target industries, our customers and competitors and the laws regulating our business. Therefore, they play an important role in formulating and implementing appropriate strategies for our success. However, we cannot assure you that any of our key management will not voluntarily terminate his or her employment with us or leave his or her position due to reasons beyond our control. The loss of service of any of our key management, in particular our executive Directors,

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could impair our ability to operate and make it difficult to implement our business and growth strategies. We may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, which may severely disrupt our business operations.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain all the personnel we need with the required industry expertise (such as personnel for our sales and marketing and risk management departments). We may also need to offer higher compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than our revenue. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our financial condition, results of operations and growth prospects.

Our risk management systems and internal control policies may not be effective in mitigating our risk exposure.

Our risk management systems and internal control policies may not be effective in mitigating our exposure to all types of risks, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behaviour and past events. As such, we may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is relatively underdeveloped, and we have no direct access to the nationwide credit information system that is open to commercial banks in the PRC. As such, we are only able to rely on publicly available resources and our internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of our risk management procedures or any failure to identify applicable risks could materially and adversely affect our financial condition, results of operations and growth prospects.

The value of our equipment, collateral and/or guarantees may be inadequate to cover our related receivables.

Our receivables under our finance leases and our factoring projects are secured by the underlying equipment of which we retain ownership title, other collateral (including share pledges) and/or guarantees. However, the value of such equipment to be disposed of may decline and may be

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materially and adversely affected by a number of factors, such as damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition of the guarantors, or value of the collateral, could significantly decrease the amounts we may recover under such guarantees or collateral.

If the value of equipment and other collateral proves to be insufficient to cover the related receivables, or if there is a significant deterioration in the financial condition of the guarantors, we may not be able to recoup the principal amounts of the loans that we have extended to our customers, and our financial condition, results of operations and growth prospects could be materially and adversely affected.

We may not be able to enforce our rights to the underlying equipment, collateral or guarantee in a timely manner, or at all.

In the event of any material default on payment, we are entitled to enforce our security rights over the underlying equipment, collateral or guarantee. In the PRC, the procedures for liquidating or otherwise realizing the value of tangible assets, for enforcing our rights to a guarantee, or for repossessing the underlying equipment, are usually time-consuming (the whole process may take three to six months). Although we could apply to a PRC court in accordance with the PRC Civil Procedure Law for the attachment or disposal of any underlying equipment, the enforcement of a guarantee, or the repossession of the underlying equipment, under PRC law, our rights may be subordinated to other claims.

In addition, due to differences in liquidity of the equipment or collateral, which are affected by their unique features, functions, and existing and potential demand from the market, we may not be able to timely and cost-efficiently dispose of them. In particular, for some of our finance lease transactions, we did not require the equipment supplier to provide a guarantee for the lease payments of our customer. If we are unable to bring an enforcement action with respect to any equipment, collateral or guarantee in a timely manner, or at all, it may have a material adverse effect on our financial condition, results of operations and growth prospects.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees, such as unauthorised business transactions and breaches of our internal policies and procedures, or third parties, such as breach of law, may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we cannot assure you that we will be able to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. As a result of actual occurrence of fraud or other misconduct, our financial condition, results of operations and growth prospects could be materially and adversely affected.

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Disruptions to our information technology systems could materially and adversely affect our financial condition, results of operations and growth prospects, and may subject us to liabilities and harm our reputation.

Our business operations rely on our information technology systems. These systems include our customer relationship management system. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. However, we cannot assure you that our operations will not be materially disrupted if any of our systems fails due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could materially and adversely affect our financial condition, results of operations and growth prospects.

We may be involved in legal and other disputes from time to time arising out of our operations.

We are involved in legal and other disputes from time to time for a variety of reasons, which are generally the disputes or claims arising out of our business operations. The majority of these cases arise in the ordinary course of our business. These disputes may lead to legal or other proceedings against us. Where we assess and discover a risk of potential loss, we will make provisions for the loss in accordance with our policies. In addition, our view on provisions will change according to our risk assessment. We cannot guarantee that the outcome in any of the litigation in which we are involved would be favourable to us, or that our litigation provisions are adequate to cover our losses arising from legal proceedings or other disputes. We may encounter various legal, administrative or other disputes and proceedings in the future, which may result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our core business operations. For further details on our legal proceedings, see "Business — Legal Proceedings".

The application of HKFRS 9 and its amendments in the future may affect the classification and measurement of our financial assets and financial liabilities.

The application of HKFRS 9 and its amendments in the future would affect the amounts reported in respect of our financial assets. The HKICPA, which is responsible for developing and revising accounting standards in Hong Kong, issued HKFRS 9 and its amendments in 2009, 2010, 2013 and 2014, which will take effect on 1 January 2018 and replace the information related with classification, measurement and derecognising of financial assets and financial liabilities under HKAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. The application of HKFRS 9 may have an impact on amounts reported in respect of our financial assets (e.g. impairment on accounts receivable) resulting from early provision of credit losses based on the expected credit loss model. However, it is not practicable to provide a reasonable estimate of that effect until we perform a detailed review. For further details, see Note 3 to the Accountants' Report in Appendix I to this prospectus.

The application of HKFRS 15 in the future may affect the timing of revenue recognition.

The application of HKFRS 15 in the future may affect the timing of revenue recognition. The HKICPA issued HKFRS 15 and its amendment in 2016, which will take effect on 1 January 2018 and

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supersede the current revenue recognition guidance including HKAS 18, HKAS 11 and the related interpretations. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition. The application of HKFRS 15 may have an impact on the amounts reported (e.g. revenue generated from our finance leasing business and factoring business) as the financing of revenue recognition may be affected by the new standard. However, it is not practicable to provide a reasonable estimate of that effect until we perform a detailed review. For further details, see Note 3 to the Accountants' Report in Appendix I to this prospectus.

RISKS RELATING TO OUR INDUSTRY

Uncertainties and/or changes in the PRC's legal framework for finance leasing and/or factoring businesses could materially and adversely affect our financial condition, results of operations and growth prospects.

Currently, foreign-invested finance leasing businesses are mainly governed by the *Measures on the Administration of Foreign Investment in the Leasing Industry* (《外商投資租賃業管理辦法》) promulgated by the MOFCOM on 3 February 2005 and amended in 2015 and the *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa [2013] No. 337) (《融資租賃企業監督管理辦法》商流通發[2013]337號) promulgated by the MOFCOM that took effect on 1 October 2013, which regulate the conditions for the establishment, and the operating standards and supervisory and management measures, of companies that are engaged in the foreign-invested finance leasing business, and stipulated, among others, their scope of business and that the risk assets of a foreign-invested finance leasing business shall generally not exceed 10 times of the total amount of its net assets. In the event that the regulatory policy for foreign-invested finance leasing business changes or stricter rules are promulgated and implemented, we may be required to adjust our business accordingly, and this could materially and adversely affect our financial condition, results of operations and growth prospects.

The factoring business is still an emerging industry in the PRC, and the laws, regulations and judicial practice in respect of the industry are continuously being developed and improved. Save for the respective circulars and official replies issued by the MOFCOM and administrative measures for each pilot region under the commercial factoring pilot program in China, there is currently no uniform or comprehensive law in China to regulate the factoring business undertaken by entities that are not commercial banks. In the event that the regulatory policy for factoring business changes or stricter rules are promulgated and implemented, we may be required to adjust our business accordingly, and this could materially and adversely affect our financial condition, results of operations and growth prospects.

We operate finance leasing and factoring businesses in an increasingly competitive environment.

The financial services industry is increasingly competitive, and there is no guarantee that we will be able to sustain our competitive advantage or to effectively implement our business strategies. According to the CIC Report, the finance leasing market in the PRC is expected to experience tremendous growth in the next few years, and there were over 6,500 registered foreign-funded finance

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leasing companies in the PRC in 2016. The commercial factoring market in the PRC has seen fast growth since 2012 when the MOFCOM officially approved the commercial factoring pilot scheme, and the number of registered commercial factoring companies increased from 71 in 2012 to 5,584 in 2016, based on the CIC Report. Our competitors mainly comprise bank-affiliated finance leasing companies, finance leasing companies affiliated with conglomerates and major equipment suppliers, independent finance leasing companies, bank factors and commercial factoring companies. Competition from such entities may result in certain developments in our industry, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by our competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse impact on our financial condition, results of operations and growth prospects.

Interest rate changes may materially and adversely affect interest expenses related to our borrowings, reduce net interest income, and reduce the demand for our finance leasing and/or factoring services.

Our business is affected by interest rates, including both the interest rates charged to our customers and the interest rates we pay on our borrowings. In order to remain responsive to changing interest rates and to manage our interest rate exposure, we have implemented measures to adjust the structure of our assets and liabilities based on an assessment of the sensitivity of projected net interest income under various interest rate scenarios. An increase in interest rates, or the perception that an increase may occur, could adversely affect our ability to obtain bank loans at favourable interest rates, our ability to maximise our interest income, our ability to originate new finance leases and factoring projects, and our ability to grow our business. Any increase in our interest expense or decrease in our net interest income could have a material adverse effect on our financial condition, results of operations and growth prospects.

RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA

Adverse developments in China's economy or an economic slowdown in China may reduce the demand for our products and services, and may have a material adverse effect on our financial condition, results of operations and growth prospects.

We conduct most of our business and generate all of our revenues in China. As a result, economic developments in China have a significant effect on our financial condition, results of operations and growth prospects. In recent years, China has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of China. According to the CIC Report, the real GDP growth rate in China has slowed down since 2013. The global economy may continue to deteriorate in the future and continue to have an adverse impact on China's economy. Any significant slowdown in the Chinese economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their payment obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce our profit before tax;

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- we may not be able to raise additional capital on favourable terms, or at all; and
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment in China, and ultimately, the profitability of our business. Our labour and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in China, Asia and elsewhere in the world.

If China's economy experiences significant adverse developments or a significant downturn, we could experience reduced level of liquidity and increased credit spreads, and our financial condition, results of operations and growth prospects would be materially and adversely affected.

Uncertainties with regard to China's legal system could materially and adversely affect us.

The Chinese legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, Chinese written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the Chinese government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of Chinese laws and regulations may not be definitive. In addition, the Chinese legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. China may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated laws and regulations.

Furthermore, China is geographically large and divided into various provinces and municipalities and as such, different rules, regulations and policies apply in different provinces. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations.

Agreements that are governed by Chinese laws may be more difficult to enforce by litigation or arbitral proceedings in China than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in China of an arbitral award obtained in that jurisdiction.

Fluctuations in exchange rates and governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

Renminbi is not currently a freely convertible currency. We receive all of our payments from our customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of

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dividends, if any, to holders of our Shares. Under the existing foreign exchange regulations in China, following the completion of the Share Offer, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in China. We may not be able to pay dividends in foreign currencies to our Shareholders if the Chinese government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China's and international political and economic conditions. In July 2005, the Chinese government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the Chinese government further widened the daily band to as high as 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. In addition, the PBOC has introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on Renminbi trading by non-financial institutions. The Chinese government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the Chinese government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the Hong Kong dollar, the U.S. dollar or other foreign currencies. If the appreciation of Renminbi continues, and as we need to convert the proceeds from the Share Offer and future offshore financing into Renminbi for our operations, appreciation of Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive upon the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

It may be difficult to effect service upon, or to enforce judgments against us or the Directors or senior management residing in China, in connection with judgments obtained from courts other than Chinese courts.

Substantially all of our Directors and members of our senior management reside in China. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within China. Moreover, China does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in China of the judgment of a non-Chinese court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments obtained in a Hong Kong court may be enforced in China, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in China.

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Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE SHARE OFFER AND OUR H SHARES

There has been no prior public market for our H Shares.

Prior to the Share Offer, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the Sole Bookrunner on behalf of the underwriters and the Offer Price may differ significantly from the market price for our H Shares following the Share Offer. We have applied for listing of and permission to deal in our H Shares on the Stock Exchange. There is no assurance that the Share Offer will result in the development of an active, liquid public trading market for our H Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our H Shares will be traded.

The price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors purchasing our H Shares in the Share Offer.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our H Shares or trading volume of our H Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our H Shares may incur substantial losses.

Subscribers and purchasers of our H Shares under the Share Offer will experience immediate dilution and may experience further dilution if we issue additional H Shares in the future.

The Offer Price of our H Shares is higher than our net tangible assets value per Share immediately prior to the Share Offer. Therefore, subscribers and purchasers of our Shares under the Share Offer will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional H Shares in the future. Subscribers and purchasers of our H Shares may experience dilution in the net tangible assets value per Share if we issue additional H Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of H Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our H Shares.

The Shares held by certain substantial Shareholders are subject to certain lock-up periods, the details of which are set out in “Underwriting”. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sale may occur, may materially and adversely affect the prevailing market price of our Shares.

RISK FACTORS

The market price of the H Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the expected Price Determination Date. Investors may not be able to sell or otherwise deal in the H Shares during that period. As a result, holders of the H Shares are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Shareholders' interests in our Company may be diluted in the future.

We may need to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per Share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

The conversion of our Domestic Shares or Unlisted Foreign Shares into our H Shares could adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future, and will result in dilution of your shareholding.

Subject to the relevant laws, regulations and approvals, our Domestic Shares and Unlisted Foreign Shares can be converted into H Shares after Listing, and such converted H Shares may be listed or traded on an overseas stock exchange. See “Share Capital — Conversion of our Unlisted Shares into H Shares — Conversion of Unlisted Shares” for details on the conversion. As a result of such conversion, the prevailing market price of our H Shares may decline, our ability to raise additional capital in the future at a time and price favourable to us may be adversely affected, and our Shareholders would experience a dilution in their shareholdings.

Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts, estimates and other statistics in this prospectus relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information

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relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Share Offer.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Share Offer, press and media coverage regarding us and the Share Offer, such as the profit estimate information. You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Share Offer. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the Share Offer or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Share Offer. Prospective investors in the Share Offer are reminded that, in making their decisions as to whether to purchase our H Shares, they should rely only on the financial, operational and other information included in this prospectus. By applying to purchase our H Shares in the Share Offer, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “estimate,” “believe,” “expect,” “may,” “plan,” “consider,” “ought to,” “should,” “would,” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Printed copies of this prospectus are available, for information purposes only, at the respective offices of the Public Offer Underwriters during normal office hours from 9:00 a.m. to 5:00 p.m. from 10 May 2017 up to and including 15 May 2017.

APPROVAL OF CSRC

CSRC has given its approval to the proposed Listing on 14 December 2016. In granting such approval, CSRC has no responsibility for the financial soundness of the Group nor the accuracy of any of the statements made or opinions expressed in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters (subject to the terms and conditions of the Underwriting Agreements). For further details about the Underwriters and the underwriting arrangements, see "Underwriting".

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on 15 May 2017, or such later date or time as may be agreed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company. The Offer Price is currently expected to be not more than HK\$1.87 per Offer Share and not less than HK\$1.31 per Offer Share, unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fyleasing.com.

If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on 18 May 2017, or such later date or time as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not become unconditional and will not proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

An announcement of the level of indication of interest in the Share Offer and the basis of allocation of the Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fyleasing.com on or before on 22 May 2017.

RESTRICTIONS ON SUBSCRIPTION OF OFFER SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus and the Application Forms. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdiction.

It is expected that, pursuant to the Share Offer, the Underwriters will conditionally place the Offer Shares on behalf of the Company with investors.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter, any of their respective directors or employees or any other persons involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus on GEM.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies (WUMP) Ordinance, any allotment or transfer made in respect of any offering of the Offer Shares will be void if permission for the listing of, and dealing in, the H Shares on GEM is refused before the expiration of three weeks from the date of closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public.

89,840,000 H Shares, representing 25% of our Company’s issued share capital immediately upon completion of the Share Offer, will be in the hands of the public at the time of the Listing, without taking into account any H Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in H Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the H Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Our Company has instructed our Hong Kong H Share Registrar which has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the Hong Kong H Share Registrar in respect of those H Shares bearing statements to the effect that:

- (a) the purchaser of the H Shares agrees with the Company and each of the other Shareholders of the Company, and the Company agrees with each of the Shareholders, to observe and comply with the requirements of the Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC and the Articles of Association;
- (b) the purchaser of the H Shares agrees with the Company, each of the other Shareholders, Directors, Supervisors, managers and other persons in charge of the Company, and the Company, acting for itself and each of the Directors, Supervisors, managers and other persons in charge of the Company agrees with each of the Shareholders, to refer all disagreement and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (c) the purchaser of the H Shares purchaser agrees with the Company and each of the other Shareholders that H Shares are freely transferable by the holders of H Shares; and
- (d) the purchaser of the H Shares authorises the Company to enter into a contract on his behalf with each Directors, Supervisors, managers and other persons in charge of the Company whereby such Directors, Supervisors, managers and other persons in charge undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Associations.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

HONG KONG H SHARE REGISTRAR AND STAMP DUTY

All the H Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our Hong Kong H Share Registrar, Tricor Investor Services Limited. Dealings in the H Shares registered in the register of members of the Company of members maintained by the Hong Kong H Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

COMMENCEMENT OF DEALING IN THE H SHARES

Dealing in the H Shares on GEM is expected to commence on 23 May 2017 under the stock code 8452. H Shares will be traded in board lot of 2,000 H Shares each.

Our Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in “Structure and Conditions of the Share Offer”.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in RMB and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between RMB and Hong Kong dollars were made at the rate of RMB0.89583 to HK\$1.00.

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items. When information is presented in thousands or million of units, amounts may have been rounded up or down.

WAIVER AND EXEMPTION FROM COMPLIANCE WITH THE GEM LISTING RULES

JOINT COMPANY SECRETARIES

According to Rules 5.14 and 11.07(2) of the GEM Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Wang Ying and Ms. Ng Wing Shan as our joint company secretaries. Since Ms. Wang Ying does not possess a qualification stipulated in Rule 5.14 of the GEM Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 5.14 and 11.07(2) of the GEM Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules in relation to the appointment of Ms. Wang Ying as our joint company secretary. In order to provide support to Ms. Wang Ying, we have appointed Ms. Ng Wing Shan as a joint company secretary to provide assistance to Ms. Wang Ying, for a three-year period from the Listing Date so as to enable her to acquire the relevant experience (as required under Rule 5.14(2) of the GEM Listing Rules) to duly discharge her duties.

Such waiver will be revoked immediately if and when Ms. Ng Wing Shan ceases to provide such assistance. Before the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Ms. Wang Ying, having had the benefit of Ms. Ng Wing Shan's assistance for three years, will have acquired relevant experience within the meaning of Rule 5.14 of the GEM Listing Rules so that a further waiver will not be necessary.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Chairman and Non-Executive Director</i>		
Mr. Zhuang Wei (莊巍)	Flat 309, Apartment 58 Chang Spring Park Peking University Haidian District Beijing PRC	Chinese
<i>Executive Directors</i>		
Mr. Li Peng (李鵬)	Flat 10B, Block D Swan Stone Castle Overseas Chinese Town Nanshan District Shenzhen, Guangdong PRC	Chinese
Mr. Weng Jianxing (翁建興)	Flat 29A, Block 4B II Jiahongwan Garden Xingzheng First Road Pingshan New District Shenzhen, Guangdong PRC	Chinese
<i>Non-Executive Directors</i>		
Mr. Qian Cheng (錢程)	Flat 1105, Block 75 Chunjianghua City 677 Siming East Road Yinzhou District Ningbo, Zhejiang PRC	Chinese
Ms. Hui Ying (惠穎)	Flat 1401, Lane 68, Taiyu Road Yinzhou District Ningbo, Zhejiang PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
Mr. Sun Luran (孫路然)	Flat D5, 26/F, Block B Fuqingjie Tonglin Apartment Futian District Shenzhen, Guangdong PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Fung Che Wai Anthony (馮志偉)	Flat G, 11/F, Hong Yan Court Healthy Street, Central North Point Hong Kong	Chinese
Mr. Hon Leung (韓亮)	Flat 910, Yung Shek House Shek Yam Estate Kwai Chung Hong Kong	Chinese
Mr. Liu Shengwen (劉升文)	Flat 23C, Hungtu Pavilion Jiabao Garden, Sungang Road Luohu District Shenzhen, Guangdong PRC	Chinese
<i>Supervisors</i>		
Mr. Tian Xiuju (田秀舉)	No. 190 Dongsan Lane Gangxia Village Futian District Shenzhen, Guangdong PRC	Chinese
Mr. Liu Bing (劉兵)	Flat 1806, Block C2 Cape of Good Hope Baoan Central District Shenzhen, Guangdong PRC	Chinese
Mr. Zhu Xiaodong (朱曉東)	Flat 1203, Block 12 Xuante Jiayuan Chaoyang District Beijing PRC	Chinese

Further information of our Directors are disclosed in “Directors, Supervisors, Senior Management and Employees”.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Sole Bookrunner and Sole Lead Manager

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Underwriters

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

KGI Capital Asia Limited
41/F Central Plaza
18 Harbour Road
Wanchai, Hong Kong

A licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

SPDB International Capital Limited
Suites 3207-3212
One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Huabang Securities Limited

Room 2005
20/F Enterprise Square Two
3 Sheung Yuet Road, Kowloon Bay
Kowloon, Hong Kong

A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Legal advisers to our Company

As to Hong Kong law

Sidley Austin

39/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

As to PRC law

Shu Jin Law Firm

12/F., Taiping Finance Tower,
6001 Yitian Road, Futian District,
Shenzhen, China

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law

Deacons

5/F Alexandra House
18 Chater Road, Central,
Hong Kong

As to PRC law

Tian Yuan Law Firm

10/F, CPIC Plaza, 28 Fengsheng Lane,
Xicheng District,
Beijing 100032, China

Auditors and reporting accountants

BDO Limited

25th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Internal control consultant	Baker Tilly Hong Kong Risk Assurance Limited 2/F., 625 King's Road, North Point, Hong Kong
Industry consultant	China Insights Consultancy Limited 10/F Tomorrow Square, 399 West Nanjing Road, Huangpu District, Shanghai, China
Compliance adviser	Dongxing Securities (Hong Kong) Company Limited 6805-6806A, 68/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong <i>A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i>
Receiving bank	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Room 201, Block A No.1 Qianwan First Road Qianhai Shenzhen-Hong Kong Cooperation Zone Shenzhen, Guangdong PRC
Head office in the PRC	3001, Shenzhen International Culture Building Futian Road Futian District Shenzhen, Guangdong PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	www.fyleasing.com <i>(information contained in this website does not form part of the prospectus)</i>
Joint Company Secretaries	<p>Ms. Ng Wing Shan (吳詠珊) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong <i>(a Fellow of The Hong Kong Institute of Chartered Secretaries and a Fellow of The Institute of Chartered Secretaries and Administrators in the United Kingdom)</i></p> <p>Ms. Wang Ying (王瑩) Flat 1403, Duty-Free Commercial Building No. 6 Fuhua First Road Futian District Shenzhen, Guangdong PRC</p>
Compliance Officer	Mr. Li Peng (李鵬) Flat 10B, Block D Swan Stone Castle Overseas Chinese Town Nanshan District Shenzhen, Guangdong PRC

CORPORATE INFORMATION

Authorized representatives

Mr. Weng Jianxing (翁建興)
Flat 29A, Block 4B
II Jiahongwan Garden
Xingzheng First Road
Pingshan New District
Shenzhen, Guangdong
PRC

Ms. Ng Wing Shan (吳詠珊)
18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Audit committee

Mr. Fung Che Wai Anthony (馮志偉) (*Chairman*)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

Remuneration committee

Mr. Liu Shengwen (劉升文) (*Chairman*)
Mr. Hon Leung (韓亮)
Mr. Qian Cheng (錢程)

Nomination committee

Mr. Zhuang Wei (莊巍) (*Chairman*)
Mr. Hon Leung (韓亮)
Mr. Fung Che Wai Anthony (馮志偉)

Principal bankers

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PRC

Agricultural Bank of China Limited
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CORPORATE INFORMATION

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Tricor Investor Services Limited
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OVERVIEW

We engage in the operation of finance leasing, commercial factoring and advisory services in the PRC. This section summarises the key laws, rules and regulations applicable to our current business and operations in the PRC.

LAWS AND REGULATIONS RELATING TO FINANCE LEASING

The *Measures on the Administration of Foreign Investment in the Leasing Industry* (《外商投資租賃業管理辦法》) (the “Measures”) was promulgated by the MOFCOM on 3 February 2005 and amended on 28 October 2015 to regulate the operation of foreign-invested leasing and finance leasing business. The Measures applies to the establishment of foreign-invested enterprises by foreign investors such as foreign companies, enterprises and other economic organizations in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC to engage in the leasing business or finance leasing business as well as to carry out business activities. Under the Measures, the total assets of the foreign investors of a foreign-funded finance leasing company may not be less than USD five million. Foreign-invested finance leasing enterprises must satisfy the following conditions: (i) the term of operation of a foreign-invested finance leasing company in the form of a limited liability company normally shall not exceed 30 years; and (ii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years’ experience in the business. Since our Company’s conversion from a limited liability company into a joint stock limited company in September 2015, the condition referred to in (i) above no longer applies to us as we have ceased to be a limited liability company.

Foreign-invested finance leasing enterprises may conduct the following businesses: (i) finance leasing business; (ii) leasing business; (iii) purchasing properties to be leased from PRC or overseas; (iv) residual disposal of and maintenance of leased properties; (v) consultancy and guarantee of lease transactions and (vi) other businesses approved by the examination and approval authority. “Finance leasing business” refers to the trading activities in which a lessor, based on lessee’s designation with respect to the seller and the leased object, agrees to purchase the assets underlying the leases from a seller makes the leased object available to the lessee for use and collects rent thereon from the lessee. Foreign-invested finance leasing enterprises may carry out finance leasing activities by way of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing. For the purpose of the Measures, the leasing property shall include: (i) movable properties such as manufacturing equipment, telecommunication equipment, medical devices, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment; (ii) transportation equipment, such as airplanes, automobiles and ships; and (iii) intangible properties such as software and technology that are attached to the moveable properties and transportation equipment mentioned above provided that the value of such attached intangible properties shall not exceed half value of the leased properties can qualify as leased properties under a financial leasing.

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For the purposes of preventing risks and guaranteeing the business operation security, generally, the risk assets of a finance leasing company shall not exceed 10 times of the total amount of its net assets. The risk assets shall be determined based on residual assets, namely, the result after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the company.

The foreign-invested finance leasing company shall submit to, no later than 31 March of each year, the MOFCOM the business operation report of the previous year and the financial statement of the previous year audited by an accounting firm.

Pursuant to the *Circular of the Ministry of Commerce on Delegating Approved Authority over Foreign Investment to Local Counterparts* (Shang Zi Fa[2010]No.209) (《商務部關於下放外商投資審批權限有關問題的通知》商資發[2010]209號) issued on 10 June 2010, and the Decision of the State Council on the Fifth Batch of Items Subject to Administrative Examination and Approval at the Management Level to be Cancelled or Delegated to Lower Level issued on 4 July 2010, the approval and management of the establishment and alteration of foreign-invested enterprises which meet the following requirements shall be implemented by the competent commercial authority at the provincial level and the National Economic and Technological Development Zones:

- falling in the encouraged category or permitted category of the *Catalogue for the Guidance of Foreign Investment Industries* (the “**Catalogue**”) (《外商投資產業指導目錄》) and the total investment amount not exceeding USD300 million, or
- falling in the restricted category of the Catalogue and the total investment amount not exceeding USD50 million.

The *Administrative Measures of Supervision on Financial Leasing Enterprises* (Shang Liu Tong Fa[2013]No.337) (《融資租賃企業監督管理辦法》商流通發[2013]337號) (the “**Administrative Measures**”) was formulated by the MOFCOM and became effective on 1 October 2013. According to the Administrative Measures, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing enterprises. A finance leasing company shall report, according to the requirements of the MOFCOM, the relevant data in a timely and truthful manner through the National Financial leasing company Management Information System. Specifically, a finance leasing enterprise shall, submit, within 15 working days after the end of each quarter, the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operation in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an auditing firm for the preceding year prior to 30 April of each year. In the event of change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a finance leasing company shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance leasing company that undergoes the said changes shall go through approval and other procedures according to the relevant provisions. A finance leasing company shall, within five working days after registering the said changes, logs into the National Financial leasing company Management Information System to modify the above information.

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Finance leasing enterprises should use real substances, which have clear ownership and enable to generate revenue, as lease to carry out the finance leasing business. Finance leasing enterprises shall not engage in deposits, loans, entrusted loans or other financial services or inter-bank borrowing unless the permission was granted from relevant departments. Finance leasing enterprises must not carry out illegal fund-raising activities under the name of a finance leasing company. According to the Administrative Measures, finance leasing enterprises shall strengthen their internal risk controls, and establish good systems for classifying at risk assets, and adopting a credit appraisal system for the lessee, a post recovery and disposal system and a risk alert mechanism. A finance leasing company shall also establish an affiliated transaction management system, and exclude the persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production company, the settlement price for such equipment shall not be lower than the price offered by such company to any third party of such equipment or the equipment of the same batch.

The Administrative Measures also contains regulatory provisions specifically focusing on the sale-leaseback transaction. The subject matter of a sale-leaseback transaction shall be those properties that can give play to its economic functions and produce continuous economic benefits. A finance leasing company shall not accept any property, to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction. A finance leasing company shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

Pursuant to the *Circular of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration over Foreign-invested Financial Leasing Companies* (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》) (“Circular”), foreign-invested finance leasing companies which failed to conduct substantive finance leasing business in the previous fiscal year, failed to pass the annual inspection and has violations of laws and regulations, the local authority shall order it to make rectifications, and report the information on rectification to the MOFCOM. Foreign-invested Finance leasing companies shall not engage in deposits, loans, entrusted loans or inter-bank borrowing and equity investment unless the permission was granted from relevant departments. The Circular specifies that the foreign-invested finance leasing companies are not allowed to provide direct or indirect financing to local governmental financing companies which undertake public welfare project in any forms in order to prevent fiscal and financial risks.

Guiding Opinions on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 68) (《關於加快融資租賃業發展的指導意見》國辦發[2015]68號) (the “Guiding Opinion”) was promulgated by the General Office of the State Council of the PRC on 31 August 2015, main tasks to accelerate the development of the finance leasing industry are put forwarded in four aspects which includes its system and mechanism reform, development in major fields, innovative development and industry supervision. According to the Guiding Opinion, there is no minimum registered capital limit for the subsidiary of the finance leasing company, the finance leasing company is allowed to sideline

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in factoring business which is related to its main business, private capital and independent third-party service provider are supported to incorporate the finance leasing company and the application for filing or obtaining a license for business deals in medical devices for the finance leasing company will be facilitated.

Guiding Opinions on Promoting the Sound Development of the Pharmaceutical Industry (Guo Ban Fa [2016] No. 11) (《關於促進醫藥產業健康發展的指導意見》國辦發[2016]11號) was promulgated by the General Office of the State Council of the PRC on 4 March 2016, it puts forward to explore the cooperation among the medical devices manufactures and finance leasing companies, and provide the installment service to medical institutions of different ownership types for its large medical devices purchase.

Contract Law

Pursuant to the *Contract Law of the PRC* (《中華人民共和國合同法》) (the “**PRC Contract Law**”) promulgated by the National People’s Congress effective from 1 October 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organizations. Chapter 14 of the PRC Contract Law sets mandatory rules about finance leasing contracts including that the finance leasing contract shall be in written format and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased property, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased property upon expiration of the lease.

Under the finance leasing contracts, the lessor shall conclude a purchase contract based on the lessee’s selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property.

Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee’s selections in respect of the seller and the leased property. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased property shall vest in the lessor.

Pursuant to the PRC Contract Law, unless otherwise agreed upon by the parties, the rental shall be determined according to the major part or whole of the costs for the purchasing the leased property and reasonable profits of the lessor.

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REGULATIONS RELATING TO BUSINESS OPERATION OF MEDICAL DEVICES

The *Regulations on the Supervision and Administration over Medical Devices* (《醫療器械監督管理條例》) (the “**Regulations on Medical Devices**”), which was promulgated on 4 January 2000, amended on 12 February 2014 and effective from 1 June 2014, to regulate the research, production, operation and use of medical devices. The Regulations on Medical Devices and the *Measures for the Supervision and Administration of Medical Devices* (《醫療器械經營監督管理辦法》) was promulgated by the CFDA on 30 July 2014 to regulate the administration and supervision of business deals in medical devices. According to these rules, classified administration over medical devices by risk level was adopted. Entities engaged in business deals in Class II medical devices shall file to the food and drug administration at the municipal level for record; engaged in business deals in Class III medical devices shall submit relevant materials to the food and drug administration at the municipal level to apply for the licence for business dealings in medical devices.

The *Official Replies to Relevant Issues about Medical Devices Leasing* (Guo Shi Yao Jian Shi [2004] No.120) (《關於租賃醫療器械有關問題的批覆》國食藥監市[2004]120號) and the *Comments in Response to Some Regulatory Issues about Medical Devices Financial Leasing* (Guo Shi Yao Jian Shi [2005] No.250) (《關於融資租賃醫療器械監管問題的答覆意見》國食藥監市[2005]250號) were published by the CFDA as at 15 April 2004 and 1 June 2005, respectively. Accordingly, medical devices finance leasing conducted by finance leasing enterprises shall be categorized as business deals in medical devices and filing shall be completed or a licence for business deals in medical devices shall be obtained in accordance with the Regulations on Medical devices.

REGULATIONS RELATING TO THE COMMERCIAL FACTORING

On 27 June 2012, the MOFCOM promulgated the *Circular of the Ministry of Commerce on Issues Related to the Pilot Program of Commercial Factoring* (Shang Zi Han [2012] No.419) (《商務部關於商業保理試點有關工作的通知》商資函[2012]419號). According to the above circular, it is agreed to carry out the commercial factoring pilot program in Binhai New Area, Tianjin and Pudong New Area, Shanghai. The competent commercial authority in the pilot area shall be the competent department for commercial factoring industry. On 9 October 2012, the MOFCOM promulgated the *Official Reply of the Ministry of Commerce to the Implementation Scheme of the Pilot Program of Commercial Factoring* (Shang Zi Han [2012] No.919) (商務部關於商業保理試點實施方案的覆函) 商資函[2012]919號), which was amended on 28 October 2015, to generally agree to the implementation plans for launching the pilot program of commercial factoring in Binhai New District and Pudong New District by Tianjin Municipality and Shanghai Municipality respectively. On 27 November 2013, Tianjin municipal government promulgated the *Administrative Measures for the Commercial Factoring Pilot Program in Tianjin* (《天津市商業保理業試點管理辦法》) (the “**Tianjin Administrative Measures**”) to regulate the administration for commercial factoring pilot program in Binhai New Area, Tianjin. According to the Tianjin Administrative Measures, commercial factoring business refers to the business whereby a seller (creditor) transfers its accounts receivable generated from the sales or service contract with the purchaser (debtor) to the commercial factoring company, thereby obtaining comprehensive services such as trade financing or accounts receivable management and collection from the commercial factoring company. In order to engage in commercial factoring business, an independent company shall be established in principle. Each commercial factoring

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enterprise may not engage in mixed operation, nor conduct such financial activities as deposit taking and loan disbursement, nor engage in call in arrears business, whether specially or with entrustment, nor carry out the business of debt collection. A commercial factoring enterprise, the following requirements shall be satisfied:

- (i) The principal investors of the proposed enterprise shall be enterprises or other entities and the total assets of whom shall be no less than RMB50 million in the previous year to the establishment application;
- (ii) The proposed enterprise shall be established with registered capital of not less than RMB50 million which shall be fully contributed in monetary terms and the source is real and legitimate. The registered capital shall be lump-sum paid by the investors for a domestic company. The registered capital shall be paid by the investors according to the current regulations;
- (iii) the proposed enterprise shall have two or more senior management personnel who have management experience in the financial sector and no unfavorable credit record and have qualified professionals appropriate for carrying out factoring business;
- (iv) Support the investors with asset strength and the experience of operating factoring business to establish the commercial factoring enterprise. Foreign investors or its affiliated entities shall have the experience of operating factoring business; and
- (v) Other statutory requirements.

An enterprise engaging in commercial factoring business may carry out the following business activities:

- (i) providing trade financing service by way of accounts receivable transferred;
- (ii) settlement, management and collection of accounts receivable;
- (iii) management of sales ledger;
- (iv) non-commercial bad debt guarantee related to the enterprise business;
- (v) investigation and evaluation of clients' credits;
- (vi) advisory services related to commercial factoring; and
- (vii) other relevant licensed business activities.

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Pursuant to the *Circular of the General Office of the Ministry of Commerce on Improving the Administration of Commercial Factoring Business* (Shang Ban Yi Han [2013] No. 718) (《商務部辦公廳關於做好商業保理行業管理工作的通知》商辦秩函[2013]718號), commercial factoring companies shall complete the monthly and quarterly report of business information within 15 working days after the end of each month and quarter. Whether the related information reports were submitted on time would be an important index of compliance assessment of commercial factoring companies. The provincial department of commerce shall be responsible for the supervision and assessment of the statistical work of commercial factoring companies at pilot areas.

LAWS AND REGULATIONS RELATING TO LABOUR

Pursuant to the *PRC Labour Law* (《中華人民共和國勞動法》) promulgated on 5 July 1994 with effect from 1 January 1995, and revised on 27 August 2009, as well as the *PRC Labour Contract Law* (《中華人民共和國勞動合同法》) promulgated on 29 June 2007, revised on 28 December 2012 and effective from 1 July 2013, if an employment relationship is established between an entity and its employees, written labour contracts shall be executed between them. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wage. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the PRC government on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) effective from 22 January 1999, the *Interim Measures concerning the Administration of the Registration of Social Insurance* (《社會保險登記管理暫行辦法》) effective from 19 March 1999, *Decisions of the State Council on Modifying the Basic Endowment Insurance System for Enterprise Employees* (《國務院關於完善企業職工基本養老保險制度的決定》) promulgated on 3 December 2005, *Decision of the Stock Council on Establishing the Urban Employee's Basic Medical Insurance System* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) effective from 14 December 1998, the *Regulations on Unemployment Insurance* (《失業保險條例》) effective from 22 January 1999, *Regulations on Work-Related Injury Insurance* (《工傷保險條例》) promulgated on 27 April 2003 with effect from 1 January 2004, and as amended on 20 December 2010, and the *Interim Measures concerning the Maternity Insurance for Enterprise Employees* (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 with effect from 1 January 1995, employers are required to register with the competent social insurance authorities and provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance.

Pursuant to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》), which became effective on 1 July 2011, all employees are required to participate in basic pension insurance, basic medical insurance schemes and unemployment insurance, which must be contributed by both the employers and the employees. All employees are required to participate in work-related injury insurance and maternity insurance schemes, which must be contributed by the employers. Employers are required to complete registrations with local social insurance authorities. Moreover, the employers

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must timely make all social insurance contributions. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted. Where an employer fails to make social insurance contributions in full and on time, the social insurance contribution collection agencies shall order it to make all or outstanding contributions within a specified period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Pursuant to the *Administrative Regulations on the Housing Provident Fund* (《住房公積金管理條例》) effective from 3 April 1999, and amended on 24 March 2002, enterprises are required to register with the competent administrative centres of housing provident fund and open bank accounts for housing provident funds for their employees. Employers are also required to timely pay all housing fund contributions for their employees. Where an employer fails to submit and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit. Failing to do so at the expiration of the time limit will subject the employer to a fine of not less than RMB10,000 and up to RMB50,000. When an employer fails to pay housing provident fund due in full and in time, housing provident fund centre is entitled to order it to rectify, failing to do so would result in enforcement exerted by the court.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprises Income Tax

According to the Enterprises Income Tax Law of the PRC (the “**EIT Law**”) (《中華人民共和國企業所得稅法》) which was promulgated by the National People’s Congress on 16 March 2007, took effect as at 1 January 2008 and amended on 24 February 2017 and its implementing rules, a unified enterprise income tax (the “**EIT**”) rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises excluding non-resident enterprises.

Value-added Tax

Pursuant to the *Interim Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) promulgated by the Stated Council of the PRC on 13 December 1993 and subsequently amended on 10 November 2008, and became effective on 1 January 2009 and amended on 6 February 2016 and its implementing rules (《中華人民共和國增值稅暫行條例實施細則》) promulgated by Ministry Of Finance (the “**MOF**”) on 25 December 1993 and amended by the MOF and the State Administration of Taxation (the “**SAT**”) on 15 December 2008 and 28 October 2011 respectively, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the “**VAT**”) at the tax rate of 13% or 17%. Taxpayers engaged in provision of processing, repairing and replacement services shall pay VAT at the tax rate of 17%. Unless otherwise provided by the State Council, the tax rate of VAT shall be zero on goods exported by taxpayers.

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On 12 December 2013, the *Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2013] No.106) (《國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》財稅[2013]106號) (the “Circular”) was jointly promulgated by the MOF and the SAT. The Circular came into effect on 1 January 2014. According to the Appendix 1 to the Circular, namely the Implementing Measures on Pilot Collection of Value-added Tax in Lieu of Business Tax, entities and individuals providing tangible assets leasing service within the PRC shall pay VAT at a rate of 17% and those providing consultation services shall pay VAT at a rate of 6%. Under Appendix 3: Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in lieu of Business Tax, where general taxpayers with the registered capital reaching RMB170 million among the pilot taxpayers that approved by the People’s Bank of China (the “PBOC”), China Banking Regulatory Commission (the “CBRC”), or the MOFCOM to engage in finance leasing service further provide tangible asset finance leasing services, the actual VAT part of whichever rate more than 3% shall be immediately refunded upon collection. The Circular was replaced by the *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2016] No.36, the “Circular 36”) (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知(財稅[2016] 36號)) on 1 May 2016. The Group is subject to value-added tax and entitled to be immediately refunded upon collection according to the “Circular 36”.

Business Tax

Pursuant to the *Interim Regulations on Business Tax of the PRC* (中華人民共和國營業稅暫行條例) promulgated by the State Council on 13 December 1993, amended on 5 November 2008 and taking effect on 1 January 2009 and its implementation rules, it is generally provided that entities or individuals engaged in the provision of taxable services, the transfer of intangible assets or the sale of immovable properties in the PRC shall pay business tax. The rate of business tax applicable to commercial factoring is 5%.

The *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) was jointly promulgated by the MOF and the SAT on 23 March 2016.

Upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of VAT in lieu of business tax. The tax rate applicable to tangible assets leasing service is 17%; the tax rate applicable to interest derived from financial sale-leaseback and interest income is 6%; the tax rate applicable to consultation services is 6%; the tax rate applicable to commercial factoring is 6%.

The *Announcement on Tax Issues Concerning the Sale of Assets by the Lessees to the Financing Sale-Leaseback* (《關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》) was promulgated by the SAT on 8 September 2010 for introducing some preferential tax treatments on the lessees in financial sale-leaseback. Under this announcement, “financial sale-leaseback” is

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defined as the business in which a lessee for the purpose of financing sells its assets to an enterprise, which has been approved, to engage in finance leasing business, and then lease the sold item back from such enterprise. According to the announcement, the lessee in financial sale-leaseback could receive the following preferential tax policies: (i) No value-added tax or business tax shall be levied on the lessee's activities of selling assets in financial sale-leaseback; (ii) The revenue of lessee's activities of selling assets in financial sale-leaseback would not be recognised as sales income and the depreciation of the assets of finance leasing shall still be made lessees based on the book value before the sale of the assets. The financing interests paid by the lessee during the lease-period shall be deducted as financial costs before making payments of enterprise income tax.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

According to the EIT Law and its implementing rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the EIT and dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Tax Treaties

The PRC and the government of Hong Kong entered into the *Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on 21 August 2006. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the *Circular on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties* (《關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Stamp tax

Pursuant to the *Interim Regulations of the PRC on Stamp Tax* (《中華人民共和國印花稅暫行條例》) promulgated on 6 August 1988 and effective from 1 October 1988 and amended on 8 January 2011, transfer of domestic shares listed in PRC is subject to the PRC stamp duty. However, transfer of H shares outside the PRC is exempted from PRC stamp duty.

REGULATIONS

Enterprise Accounting Codes No. 21-Leasing

The Ministry of Finance promulgated the *Accounting Standards for Enterprises No. 21-Leases* (the “Codes”) (《企業會計準則第21號-租賃》) on 15 February 2006 to regulate the accounting and information disclosure about finance leasing and operating leasing. Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the finance leasing of a lessor. In respect of any leasing, the Codes require the lessor and the lessee to classify the leasing as finance leasing or as operating leasing at the commencement of the lease. The Codes also set out factors to be considered in such classification. The accounting treatment of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in the Codes. The lessor and the lessee are also required to comply with several disclosure requirements in respect of their lease transaction on the notes of their balance sheet. In addition, they are required to disclose each sale-leaseback transaction as well as the important provisions of these sale-leaseback contracts.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign Exchange

Pursuant the *Administrative Regulations of the PRC on Foreign Exchange* (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 1 August 2008 and became effective on 5 August 2008, and various regulations issued by the State Administration of Foreign Exchange (the “SAFE”) and other PRC regulatory agencies, foreign currency could be exchanged or paid through two different accounts, namely current account and capital account. Payment of current account items, including commodity, trade and service-related foreign exchange transactions and other current payment, may be made by conversion between Renminbi and foreign currencies without approval of SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion between Renminbi and foreign currency, and remittance of the foreign currency outside the PRC.

SAFE Circular 59

On 19 November 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment* (《關於進一步改進和調整外商直接投資外匯管理政策的通知》) (“SAFE Circular 59”), which became effective on 17 December 2012 and were amended on 4 May 2015. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realization account, guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces,

REGULATIONS

which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

SAFE Circular 19

The *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“SAFE Circular 19”), was promulgated on 30 March 2015, which came into effect from 1 June 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises (“FIE”) shall be subject to the Discretionary Foreign Exchange Settlement (“Discretionary Foreign Exchange Settlement”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

1. Directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
2. Directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
3. Directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
4. Paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

REGULATIONS

SAFE Circular 13

Pursuant to *Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No.13, the “**Circular 13**”), which was promulgated by SAFE on 13 February 2015 and became effective from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

SAFE Circular 54

According to the *Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing* (Hui Fa [2014] No.54, the “**Circular 54**”) (《關於境外上市外匯管理有關問題的通知》匯發[2014]54號) issued by SAFE on 26 December 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares of the listed company shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials.

A domestic issuer (except for bank financial institutions) shall present his certificate of overseas listing to open a special account with a local bank for overseas listing of local enterprises to handle corresponding capital exchange and transfer for its business for its initial offer (or enhancement) or repurchase. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents.

INDUSTRY OVERVIEW

The information presented in this section is, including certain facts, statistics and data, derived from the CIC Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside the PRC. As a result, excessive reliance on the information contained in this section shall be avoided.

SOURCE OF INFORMATION

We have commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on the PRC's finance leasing and factoring industry. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is RMB600,000, which we consider reflects market rates for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting across multiple industries. CIC's services include industry consulting service, commercial due diligence, strategic consulting, etc.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent professional consulting company with extensive experience in their profession. CIC conducts both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics of China, industry associations, etc. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

ASSUMPTIONS

The CIC Report contains a variety of market projections which were produced with the following key assumptions: (i) The overall social, economic and political environment in the PRC are expected to remain stable in the forecast period; (ii) China's economy and industry development is likely to maintain a steady growth in the next decade; (iii) Related industry key drivers are likely to drive the growth of China's finance leasing industry in the forecast period, such as massive equipment and machinery demand from SMEs with limited financing sources, tremendous potential market growth with increasing capital investment, favourable government policy support; (iv) Related industry key drivers are likely to drive the growth of China's factoring industry in the forecast period, such as increasing enterprise accounts receivable, springing up of commercial factoring companies, national

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policy support, and improving credit investigation system and credit environment; and (v) There is no any extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumption and factors.

The CIC Report mainly focuses on the PRC market, being the main jurisdiction in which our business are located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report.

PARAMETERS

The parameters used in CIC Report mainly include as follows:

- GDP value and GDP growth rate of China
- Total value of fixed asset investments and spending in equipment and tools of China
- Three-year benchmark deposit and lending rate of China
- Total outstanding balance of finance leasing companies in China
- Number of enterprises of finance leasing market in China
- Factoring turnover of factoring market in China

OVERVIEW OF THE MACROECONOMIC AND FINANCIAL ENVIRONMENT IN THE PRC

China's nominal GDP grew from RMB48.6 trillion in 2011 to RMB75.0 trillion in 2016. While growth has cooled off in 2013, along with the industrial transformation and diversified financing channels, Chinese government is focusing on solving the problem of manufacturing overcapacity and upgrading the economic structure. Finance leasing and commercial factoring as two important finance tools for the transition of the economy are expected to be more frequently used. According to IMF, China's nominal GDP is expected to sustain a long-term growth with the real GDP annual growth rate ranging from 6.0% to 6.3% and, the nominal GDP annual growth rate ranging from 7.2% to 8.0%, for the next five years. China's nominal GDP is forecast to reach RMB108.7 trillion in 2021.

China's fixed assets investment increased from RMB31.1 trillion in 2011 to RMB60.6 trillion in 2016, with a CAGR of 14.3%. Meanwhile, equipment and tools spending (excluding agriculture) also increased from RMB6.4 trillion to RMB12.1 trillion from 2011 to 2016 with a CAGR of 13.8%. Following the transition of China's economic structure, many companies are expected to upgrade their manufacturing process by purchasing necessary equipment and tools. The huge potential need for

INDUSTRY OVERVIEW

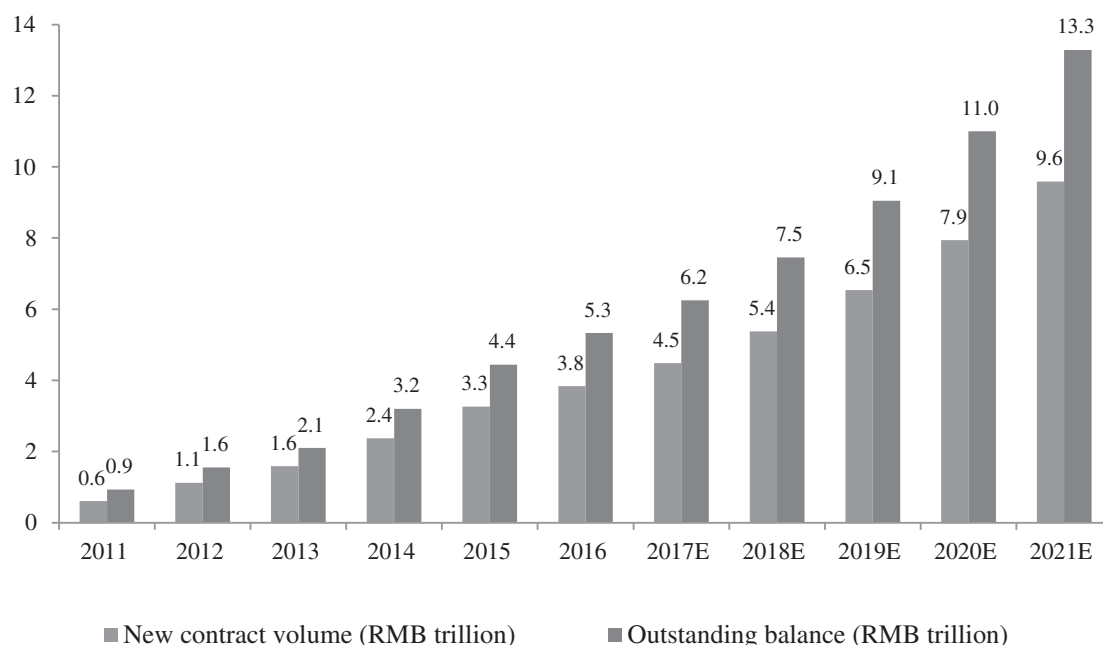
equipment and tools is likely to fuel the equipment and tools spending, and the spending (excluding agriculture) is expected to increase from RMB12.1 trillion to RMB19.3 trillion from 2016 to 2021, with a CAGR of 9.7%. Meanwhile, fixed asset investment is expected to reach RMB85.7 trillion in 2021, with a CAGR of 7.2% from 2016 to 2021.

OVERVIEW OF THE FINANCE LEASING INDUSTRY IN THE PRC

Outstanding balance of finance leasing market in the PRC

Finance leasing industry has experienced tremendous growth for the past few years. Penetration rate (as the ratio of new annual finance leasing contract volume divided by total annual fixed assets investment) has increased from 2.0% in 2011 to 6.3% in 2016. Outstanding balance increased from RMB0.9 trillion in 2011 to RMB5.3 trillion in 2016, with a CAGR of 41.8%. A finance leasing project generally takes 2 to 3 years, and the outstanding balance of finance leasing market at the end of the year is comprised of the remaining previous year's balance and remained current year's new balance. Throughout the past few years, the new contract volume was approximately 70% of the total outstanding balance at the end of the year. With massive equipment and machinery demand arising from SMEs' manufacturing and restructuring needs, finance leasing market is expected to sustain high growth for the next few years. Outstanding balance is expected to reach RMB13.3 trillion in 2021 with a CAGR of 20.0% from 2016 to 2021. Meanwhile, new contract volume is expected to reach RMB9.6 trillion in 2021 with a CAGR of 20.1%. The penetration rate of finance leasing market is expected to reach approximately 11.2% in 2021.

**Outstanding balance and new contract volume of finance leasing market,
China, 2011-2021E**



Source: CIC

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Market drivers of finance leasing market in the PRC

- (i) ***Massive equipment and machinery demand from SMEs with limited financing sources:*** China has a very different banking system compared with other major economic entities. Most of the banks operate under the Chinese government, and the number of small individual banks and other bank-affiliated financing institutions is limited. For SMEs, compared with traditional bank loans, finance leasing generally offers a less stringent application process and a more flexible financing agreement in terms of interest rate and payment timetable. In addition, since finance leasing is mainly based on equipment leasing, with massive equipment demand from SMEs' manufacturing and restructuring needs, finance leasing can provide a time-saving financing solution for the SMEs without increasing companies' leverage ratio dramatically. The massive equipment demand is expected to continually drive the finance leasing market in the next few years.
- (ii) ***Tremendous potential market growth with increasing capital investment:*** Penetration rate of finance leasing in developed countries is generally around 20% to 30% while that of China is comparatively low, with a penetration rate of only approximately 6.3% in 2016. To expand business operations and size the growth, many new finance leasing companies have been established and keep putting more capital into registration. Total registered capital of finance leasing companies surged from RMB195.5 billion in 2011 to RMB2,556.9 billion in 2016, with a CAGR of 67.2%. With massive capitals from various systems of ownership flowing into the market which is far from saturated in terms of penetration rate, it is expected that the market will experience tremendous growth in the next few years. Penetration rate of China is also expected to reach more than 11.0% by 2021.
- (iii) ***Favorable government policy support:*** According to "The Guiding Opinions of the General Office of the State Council on Promoting the Sound Development of Finance Leasing Industry" 《國務院辦公廳關於促進金融租賃行業健康發展的指導意見》, the Chinese government has listed some major objectives for the finance leasing industry in China. These objectives include: (a) expecting a much higher penetration rate and wider coverage in downstream industries by 2020; (b) making finance leasing one of the major tools for equipment investment and technology upgrades; (c) speeding up the development of finance leasing market in major industries and promoting their transformation and upgrading; (d) promoting overseas equipment finance leasing and finance leasing service for SMEs; (e) reforming the industry regulatory system to make it more unified, effective and comprehensive; (f) streamlining administration to enhance the development of finance leasing market and delegating administrative power to the lower level government; (g) developing a number of financial leasing companies that have competitiveness in the international finance leasing market; and (h) establishing a more comprehensive and detailed tax system for finance leasing industry. These objectives demonstrate the Chinese government's efforts on making finance leasing industry an important finance channel for companies with different financing needs. For instance, tax incentives, government-led finance leasing projects, and comprehensive regulatory systems, are expected to drive the finance leasing market in China in the next few years.

INDUSTRY OVERVIEW

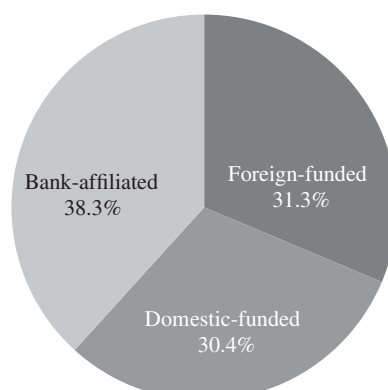
COMPETITIVE LANDSCAPE OF THE FINANCE LEASING INDUSTRY IN THE PRC

There are three types of finance leasing companies in the PRC, namely bank-affiliated, foreign-funded and domestic-funded, the below table summarizes their characteristics

Type	Regulation institution	Registered capital requirement	Related business operation
Bank-affiliated	China Banking Regulatory Commission	<ul style="list-style-type: none"> Minimal capital: RMB100 million Commerce bank has to meet the 8% capital adequacy ratio 	<ul style="list-style-type: none"> Finance leasing Absorb shareholders' deposit Collect security deposits from lessees Sale of finance lease asset to commercial banks Interbank borrowing Sale of residual value and maintenance of lease asset Issue finance bonds under approval Overseas foreign currency borrowing Lending from other finance institutions
Foreign-funded	Ministry of Commerce	<ul style="list-style-type: none"> No minimal capital requirement 	<ul style="list-style-type: none"> Finance leasing General leasing Deal with residual value and maintenance of lease asset Purchase leasing asset from domestic and overseas
Domestic-funded	Ministry of Commerce	<ul style="list-style-type: none"> Minimal capital: RMB170 million 	<ul style="list-style-type: none"> Finance leasing General leasing Deal with residual value and maintenance of lease asset Purchase leasing asset from domestic and overseas

INDUSTRY OVERVIEW

Outstanding Balance of PRC Finance Leasing Market in 2016



Source: CIC

Overview of foreign-funded finance leasing market in the PRC

Outstanding balance of foreign-funded finance leasing market was approximately 31.3% of the total finance leasing market, with an outstanding balance of RMB1,670.0 billion in 2016. Foreign-funded finance leasing market in China is very fragmented given the large number of market participants in 2016, which totaled over 6,500 registered foreign-funded finance leasing companies.

Top five foreign-funded finance leasing companies in the PRC

Top five foreign-funded finance leasing companies shared about 18.6% of the total outstanding balance in foreign-funded leasing market in China as of 31 December 2016. As a foreign-funded finance leasing enterprise, the Company has an outstanding balance of RMB1.0 billion, with a corresponding market share of 0.06% in the foreign-funded leasing market in China as of 31 December 2016 in terms of outstanding balance.

<u>Rank</u>	<u>Name of Company</u>	<u>Outstanding balance as of 31 December 2016</u> <i>(RMB billion)</i>	<u>Market share</u>
1	Company A	147.5	8.8%
2	Company B	79.4	4.8%
3	Company C	38.2	2.3%
4	Company D	32.1	1.9%
5	Company E	13.5	0.8%
Others		1,359.3	81.4%
Total		<u>1,670.0</u>	<u>100.0%</u>

Note: Outstanding balance includes both long-term and short-term accounts receivable of finance leasing operations.

Source: CIC

INDUSTRY OVERVIEW

As finance leasing companies in the PRC generally could offer to their existing and prospective finance leasing customers advisory services in areas such as their financing and cash flow management as well as operation of the leased equipment, the competitive landscape of such advisory services in the PRC is generally similar to the competitive landscape of finance leasing market in the PRC. As the advisory services provided by finance leasing companies in the PRC are usually unique and customised according to the specific needs from each customer, the advisory fees vary and could not be directly compared with the advisory fees of other finance leasing companies in the PRC which also provide advisory services.

Key success factors of finance leasing market in the PRC

- (i) ***Consistent and stringent risk management:*** Finance leasing market is highly capital intensive and involves a large amount of cash flow on a monthly basis. Companies need to have a consistent and stringent risk system and experienced professionals to identify potential risks. For small finance leasing companies, a single risky project may damage the whole cash flow and potentially bring the companies to capital chain rupture. A sound risk management system comes from years of accumulated experience in the market and a profound understanding of both upstream and downstream companies, which is hard for new entrants to obtain.
- (ii) ***Access to diversified and low-cost financing channels:*** Financing channel is relatively limited in China where the majority of the money that a company receives comes from bank loans. Most of the revenue of a finance leasing project is driven by the interest rate spread from its financing and leasing operations. The access to adequate and relatively low-cost capital is essential to the profitability and project accessibility of finance leasing companies. Subsidiary finance leasing companies backed by large parent companies with sufficient capital and good credit ratings generally have lower financing interest rate and easier access to resources or channels such as Overseas Loan under Domestic Guarantee (内保外贷), P2P platform, asset securitization, private equity, etc. The difference of financing interest rate between market leader and market average may vary from 2% to 4%. Thus, access to diversified and low-cost financing channel is vitally important for a company's success in finance leasing market.
- (iii) ***Maintaining an experienced professional team:*** There has been a shortage of experienced professionals in China's finance leasing market. An experienced professional need to have profound understanding in several areas, including but not limited to industrial chain, risk control, transaction authenticity, fund operation and macro-economy. An experienced and professional team comes from a well-organized company structure and effective incentive plans. An experienced and professional team can help a company to avoid risks and seize opportunities, which contributes to the success of the company.

Entry barriers of finance leasing market in the PRC

- (i) ***High capital requirement:*** For initial license registration, Chinese government has set up a minimal capital requirement for different finance leasing companies. For bank-affiliated companies, minimal capital requirement is RMB100 million and commerce bank has to meet the 8% capital adequacy ratio. For domestic-funded companies, minimal capital requirement is

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RMB170 million. In addition, finance leasing market is highly capital intensive which involved with massive amount of equipment purchasing and lending. Having a sufficient amount of cash prepared for daily operation, delayed payments and potential default is crucial for operation management and risk managing.

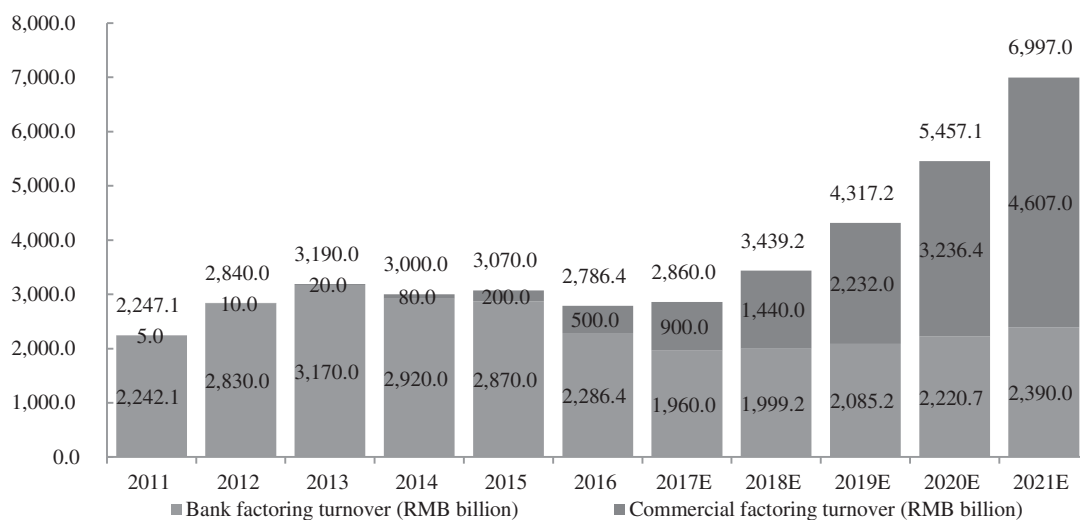
- (ii) **Shortage of finance leasing professionals:** Finance leasing market is relatively new compared with other traditional financial sectors in China. In addition, finance leasing involves not only financial knowledge but also a thorough understanding of the downstream industry and close relationships with companies along the value chain. There has been a lack of finance leasing professionals for risk control and project management in the industry. Instead of hiring people from other companies in the market, many professionals need to be trained by their own companies to develop a consistent risk control management and business outreaching system. For new entrants, it is hard to attract market professionals and develop a consistent and effective business model in the short time.
- (iii) **Credit rating and industry experience:** Credit rating is directly related to a company's financing interest rate, which is vitally important for the profitability and project accessibility of a company. Moreover, companies' past leasing experience will be taken into account when bidding for a project. If a new entrant does not have a good credit rating or is not backed by a large company with a good credit rating, the interest rate is likely to be very unfavorable which makes the new entrant less competitive. Even if the new entrant has a good rating, a lack of leasing experience is expected to become another entry barrier for the new entrant.

OVERVIEW OF THE FACTORING INDUSTRY IN THE PRC

Factoring turnover of factoring market in the PRC

China's factoring market in terms of factoring turnover increased from RMB2,247.1 billion in 2011 to RMB2,786.4 billion in 2016 at a CAGR of 4.4%. The total market is expected to grow to RMB6,997.0 billion in 2021 with a CAGR of 20.2% from 2016 to 2021. The commercial factoring market has seen fast growth since 2012 when the MOFCOM approved the commercial factoring pilot schemes. The market increased from RMB5.0 billion in 2011 to RMB500.0 billion in 2016 at a CAGR of 151.2%. The market is expected to grow to RMB4,607.0 billion in 2021 at a CAGR of 55.9% from 2016 to 2021. The penetration rate of commercial factoring as a percentage of total factoring turnover is expected to increase from 17.9% in 2016 to 65.8% in 2021.

Factoring turnover of factoring market, China, 2011-2021E



Source: Factoring Expertise Committee of CBA, CFEC, CIC

INDUSTRY OVERVIEW

Market drivers of factoring market in the PRC

- (i) ***Increasing enterprise accounts receivable:*** With the increasing uncertainty of the world economic development and China's economy entering into the transition period, China's economy will no longer sustain the high growth momentum and is facing problems such as insufficient aggregate demand and overcapacity in certain industries. Against this background, accounts receivable in Chinese enterprises has seen rapid growth in recent years. The accounts receivable of industrial enterprises above designated size (with annual main business revenue above RMB20 million) increased from RMB7.0 trillion in 2011 to RMB12.6 trillion in 2016 at a CAGR of 12.5%, which implied the growing demand for factoring business.
- (ii) ***Springing up of commercial factoring companies:*** Since 2012, the commercial factoring pilot schemes led by the MOFCOM have been carried out in many places in China. MOFCOM issued the Circular of the General Office of the Ministry of Commerce on Improving the Administration of Commercial Factoring Business (《商務部辦公廳關於做好商業保理行業管理工作的通知》) in 2013, which laid a foundation for the health development and proper supervision of commercial factoring industry. Moreover, many local authorities issued administrative measures to support the development of commercial factoring industry. E.g. Tianjin's commercial factoring companies enjoy preferential subsidies in areas such as taxes, offices, talent introduction, etc., and financial reward when providing financial services to small-micro enterprises. The number of registered commercial factoring companies increased rapidly from 71 in 2012 to 5,584 in 2016, with commercial factoring turnover reaching RMB500 billion in 2016. The rise of commercial factoring companies will drive the expansion of China's factoring market.
- (iii) ***National policy support:*** The Chinese government has issued several policies to support the development of China's factoring market. Guideline on the Construction of Social Credit System (2014-2020) (社會信用體系建設規劃綱要(2014-2020年)) issued by the State Council required the cultivation and standardization of credit service market, with measures including developing commercial factoring business. For instance, to regulate accounts receivable management, the Chinese government supports the development of commercial factoring in the retail, trading and service industries. Opinions on Financial Support for Industry Steady Growth, Restructuring and Efficiency Enhancement (關於金融支援工業穩增長調結構增效益的若干意見) issued by eight ministries and commissions in 2016 proposed the vigorous development of commercial factoring industry through promoting accounts receivable financing and establishment of accounts receivable trading mechanism. It also encourages cooperation between commercial factoring companies and bank-affiliated financial institutions on accounts receivable financing. The Thirteenth Five-year Development Plan for Domestic Trade Flows (國內貿易流通“十三五”發展規劃) issued by ten ministries and commissions including MOFCOM and PBOC in November 2016 encouraged companies to set up credit appraisal system and reduce financing cost through commercial factoring.
- (iv) ***Improving credit investigation system and credit environment:*** Credit Information Exchange System of Factoring Industry was officially launched in August 2015. The system has included more than 1,281 thousand dishonest debtors' information of the courts nationwide by March 2017

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and is updated regularly. Some cities like Tianjin have already opened Credit Reference System of the People's Bank of China (PBOC) interface to commercial factoring companies. Improving credit investigation system and credit environment will enhance risk management capacity of factoring companies and promote the healthy development of the industry.

COMPETITIVE LANDSCAPE OF THE COMMERCIAL FACTORING INDUSTRY IN THE PRC

Competitive landscape of commercial factoring market in the PRC

China's commercial factoring industry is still at the early stage, with the emerging of large quantities of commercial factoring companies, most of which are of small scale. The market concentration degree is not high and market competition is insufficient. According to CFEC (Commercial Factoring Expertise Committee of China Association of Trade in Services 中國服務貿易協會商業保理專業委員會), there were 5,584 registered commercial factoring companies and branches by the end of 2016 in China, with approximately 430 in Tianjin, accounting for 7.7%. However, there are only around 1,100 companies that already run factoring businesses in China. Among them, only approximately 50 companies have annual factoring turnover above RMB1 billion. These companies accounted for more than 60% of the total commercial factoring turnover in China in 2016.

The total factoring turnover of China's commercial factoring market was RMB500.0 billion in 2016. The Company's factoring turnover was RMB0.1 billion in 2016, representing a market share of around 0.02% in China's commercial factoring market. The Company was among the first few batches of companies to engage in commercial factoring business in China after MOFCOM's release of the Circular of the Ministry of Commerce on Issues Related to the Pilot Program of Commercial Factoring (《商務部關於商業保理試點有關工作的通知》). As one of the pioneers in China's commercial factoring industry, the Company is expected to benefit from first-mover advantages and established reputation in the market.

Key success factors of commercial factoring market in the PRC

- (i) **Risk control capability:** As commercial factoring mainly provides financing support to enterprises from the upstream to the downstream of the industrial chain, including small and medium sized enterprises, the business features high risk. Major risks include credit risk (e.g. fraud by the seller), operational risk and legal risk. Complete and strict risk control system as well as dynamic risk monitoring throughout the factoring business and all aspects are essential to the core competence of a commercial factoring company. Risk control capability is the basis of the sound and sustained development of a company in commercial factoring industry.
- (ii) **Industry experience and resource:** Usually the industry background and financial strength are important factors that determine the survival, competitiveness and development of a commercial factoring company. Its management team's strategic positioning and financing support to the commercial factoring company also influence many aspects of the company's operation, such as management strategy, business model, customer selection and financing method. Companies that maintain close relationship with large state-owned enterprises, listed companies or leading private companies have significant advantages over other companies.

INDUSTRY OVERVIEW

- (iii) **Financing channel:** The access to adequate and relatively cheap funds is essential to the profitability and business expansion of commercial factoring companies. For most commercial factoring companies, it is still quite difficult to get bank loans. Companies with resources in financing channels such as shareholder lending, P2P (Peer-to-Peer lending) platform, asset securitization, among others, are at an advantage.
- (iv) **Experienced and professional team:** Factoring is a highly professional industry. A good employee should have profound understanding in several areas, including but not limited to industrial chain, risk control, transaction authenticity, fund operation and macro-economy. An experienced team will help the company avoid risks and seize opportunities, which contributes to the success of the company.

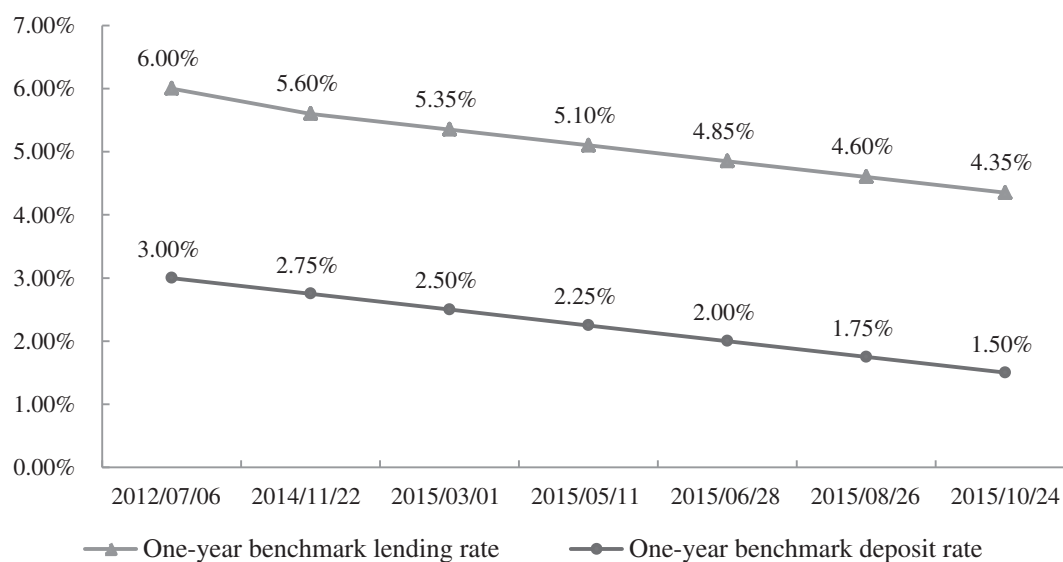
Entry barriers of commercial factoring market in the PRC

- (i) **Capital requirement:** A number of local authorities have issued regulations on the establishment and management of commercial factoring companies. Tianjin Municipal government issued the Administrative Measures for the Commercial Factoring Pilot Program in Tianjin (天津市商業保理業試點管理辦法), which required that registered capital of the company should be not less than RMB50 million and should all be paid-in monetary capital. Another example is Trial Method on Setting up Commercial Factoring Companies in Beijing Shijingshan District (北京市石景山區設立商業保理公司試行辦法), which also incorporated similar provisions. Trial Management Measures on Commercial Factoring Companies (商業保理企業管理辦法(試行)) issued by MOFCOM also required a minimum paid-in capital of RMB50 million for foreign-funded commercial factoring companies. The Official Reply of the Ministry of Commerce to the Implementation Scheme of the Pilot Program of Commercial Factoring (商務部關於商業保理試點實施方案的覆函), issued by MOFCOM stipulated that risk assets should not exceed 10 times the company's net asset in its factoring practice.
- (ii) **Factoring professionals:** The risk characteristic of factoring industry determines that its practitioners should possess certain financial knowledge and risk control expertise. However, restricted by the relatively short history and small-scale of China's factoring industry, these professionals are quite scarce. Reply on Implementation Scheme of Commercial Factoring Pilot stipulated that one of the establishment conditions is owning at least 2 senior managers who boast management experience in financial field and no bad credit record. Interim Administrative Measures for the Commercial Factoring Pilot Program in Shanghai (上海市商業保理試點暫行管理辦法) further required that at least one investor or connected body had relevant experience in commercial factoring industry.
- (iii) **Capacity of establishing financial system and risk control system:** Sound and comprehensive financial system and risk control system are the core parts of the on-going operation of a commercial factoring company. Therefore, in addition to capital strength and factoring professionals, the capacity of establishing these systems forms another entry barrier.

INDUSTRY OVERVIEW

HISTORICAL KEY COST ANALYSIS OF FINANCE LEASING AND COMMERCIAL FACTORING MARKETS IN THE PRC

One-year benchmark interest rate, China, 2013-2015



Source: The People's Bank of China

Benchmark interest rate has experienced a decreasing trend from 2013 to 2015. The one-year benchmark lending rate in China has decreased from 6.00% to 4.35%. In 2015, the People's Bank of China lowered the benchmark interest rate five times and has reduced the deposit reserve ratio to stimulate economy. In general, the significant decrease of interest rate has lowered the funding cost for finance leasing and commercial factoring markets in 2015 particularly.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our Group's history dates back to 7 December 2012 when Fullin was established as a sino-foreign equity joint venture enterprise in the PRC with a registered share capital of RMB100 million. The shareholders of Fullin at that time were Shanshan (as to 38%), Shanshan HK (as to 32%), Dayuan Tiandi (as to 25%) and Zhongkezhi (as to 5%). For further details on our founders and their respective source of funds, see the paragraph headed "Our Corporate Development — Our Company" in this section.

Our Group is a financial services provider with a focus on providing equipment-based finance leasing, commercial factoring and advisory services to our customers in the PRC. We have two subsidiaries in the PRC, namely Fullin Factoring and Beijing Medical. We commenced our finance leasing business in Shenzhen in 2013. During the Track Record Period, we had over 240 finance leasing customers in various industries across more than 25 municipalities, provinces and autonomous regions in the PRC. Our finance lease income increased by RMB8.7 million, or 31.6%, from RMB27.5 million for the year ended 31 December 2014 to RMB36.2 million for the year ended 31 December 2015 and further increased by RMB9.2 million, or 25.4%, to RMB45.4 million for the year ended 31 December 2016. We commenced our factoring business in 2013, and we were among the first batch of companies to engage in commercial factoring business in the PRC. Our factoring income increased by RMB6.3 million, or 98.4%, from RMB6.4 million for the year ended 31 December 2014 to RMB12.7 million for the year ended 31 December 2015 and remained relatively stable at RMB11.8 million for the year ended 31 December 2016. For details of our services and operations, see "Business".

As at the Latest Practicable Date, our Group had grown to a team of 77 employees.

BUSINESS MILESTONES

The following are the significant business milestones of our Group:

Year	Milestone
December 2012	Fullin was established as a sino-foreign equity joint venture enterprise in the PRC
May 2013	Fullin Factoring was established as a limited liability company in the PRC
June 2013	First finance leasing project to a customer in the electronics industry
October 2013	First factoring project to a customer in the manufacturing industry
September 2015	Conversion of Fullin into a joint stock limited company, namely our Company

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENT

Our Company

Fullin, the predecessor of our Company, was established on 7 December 2012 as a sino-foreign equity joint venture enterprise in the PRC with an initial registered capital of RMB100 million, which was contributed by four founders, all of which had been fully paid in cash. The following table sets forth the information about the four founders of our Company.

Founders	Shareholding percentage	Principal business	Source of fund
Shanshan	38%	manufacture and sale of the raw materials of lithium battery (i.e. anode and cathode materials and electrolyte), new energy vehicle business (i.e. manufacture and sale of power strain control system, operation and promotion of new energy vehicles), investment and design, research, development and sales of apparel products	own financial resources
Shanshan HK	32%	investment management	own financial resources
Dayuan Tiandi	25%	property development	own financial resources
Zhongkezhi	5%	investment management, asset management and investment consultancy	own financial resources

On 31 March 2014, the registered capital of Fullin was increased from RMB100 million to RMB200 million and Fullin became owned by the following persons and their respective capital contributions are set forth in the table below.

Shareholder	Shareholding before the capital increase		Additional capital contribution	Shareholding after the capital increase	
	(RMB)		(RMB)	(RMB)	
Shanshan	38,000,000	38%	52,000,000	90,000,000	45%
Shanshan HK	32,000,000	32%	18,000,000	50,000,000	25%
Dayuan Tiandi	25,000,000	25%	25,000,000	50,000,000	25%
Zhongkezhi	5,000,000	5%	5,000,000	10,000,000	5%
Total	100,000,000	100%	100,000,000	200,000,000	100%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In May 2015, with a view to realizing its investment in Fullin, Zhongkezhi transferred its 5% equity interest in Fullin to Zhonglian Jinkong at a consideration of RMB11,965,166.67. The consideration was determined with reference to the net asset value of RMB202,215,072.34 of Fullin as at 30 April 2015 and a premium which was arrived at arm's length negotiations and settled in May 2015. The principal business of Zhonglian Jinkong is investment management. Upon completion of such transfer, Fullin became owned by the following persons and their respective capital contributions are set forth in the table below.

Shareholders	Capital contribution (RMB)	Shareholding percentage
Shanshan	90,000,000	45%
Shanshan HK	50,000,000	25%
Dayuan Tiandi	50,000,000	25%
Zhonglian Jinkong	10,000,000	5%
Total	200,000,000	100%

On 23 March 2015, two limited partnerships were established by Fullin Jinkong as a general partner, and certain directors, senior management and employees of Fullin as limited partners, namely Shequn No. 1 and Shequn No. 2, for the purpose of investment in Fullin.

In July 2015, in view of the proposed investment by certain directors, senior management and employees in Fullin and the proposed realization of part of Zhonglian Jinkong's interest in Fullin, the then shareholders of Fullin underwent the following share transfers.

Date of transfer	Transferor	Transferee	Capital contribution being transferred (RMB)	Consideration (RMB)	Basis of determination of the consideration	Settlement date
7 July 2015	Shanshan	Shanshan HK	90,000,000	90,000,000	Amount of capital contribution	27 July 2015
7 July 2015	Dayuan Tiandi	Shequn No. 1	17,000,000	22,950,000	the net asset value of RMB205,084,985.47 of Fullin as at 30 June 2015 and a premium which was arrived at arm's length negotiations	24 July 2015
	Dayuan Tiandi	Shequn No. 2	8,000,000	10,800,000	the net asset value of RMB205,084,985.47 of Fullin as at 30 June 2015 and a premium which was arrived at arm's length negotiations	24 July 2015

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Date of transfer	Transferor	Transferee	Capital contribution being transferred	Consideration	Basis of determination of the consideration	Settlement date
			(RMB)			
7 July 2015	Zhonglian Jinkong	Nantong Shanshan	2,000,000	5,600,000	2.8 times of the amount of capital contribution after taking into account the valuation of a comparable company	26 June 2015
7 July 2015	Zhonglian Jinkong	Shanlian Chuangtou	1,000,000	2,800,000	2.8 times of the amount of capital contribution after taking into account the valuation of a comparable company	19 June 2015
7 July 2015	Zhonglian Jinkong	Shanmeng Chuangtou	1,000,000	2,800,000	2.8 times of the amount of capital contribution after taking into account the valuation of a comparable company	19 June 2015
7 July 2015	Zhonglian Jinkong	Yuying Ziguan	1,000,000	2,800,000	2.8 times of the amount of capital contribution after taking into account the valuation of a comparable company	31 July 2015

Upon completion of such transfers, Fullin became owned by the following persons and their respective capital contributions are set forth in the table below.

Shareholders	Capital contribution	Shareholding percentage
	(RMB)	
Shanshan HK	140,000,000	70.0%
Dayuan Tiandi	25,000,000	12.5%
Shequn No. 1	17,000,000	8.5%
Shequn No. 2	8,000,000	4.0%
Zhonglian Jinkong	5,000,000	2.5%
Nantong Shanshan	2,000,000	1.0%
Shanlian Chuangtou	1,000,000	0.5%
Shanmeng Chuangtou	1,000,000	0.5%
Yuying Ziguan	1,000,000	0.5%
Total	200,000,000	100.0%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On 10 August 2015, the then shareholders of Fullin, namely Shanshan HK, Dayuan Tiandi, Shequn No. 1, Shequn No. 2, Zhonglian Jinkong, Nantong Shanshan, Shanlian Chuangtou, Shanmeng Chuangtou and Yuying Ziguan, entered into a promoters' agreement, pursuant to which each of them agreed to convert Fullin into a joint stock limited company in the PRC with a registered share capital of RMB200,000,000 divided into 200,000,000 Shares of a par value of RMB1.0 each which was determined with reference to net asset value of Fullin of RMB202,848,166.05 as at 31 March 2015 as appraised by an independent accountant with the remaining sum of RMB2,848,166.05 being recognized in capital reserve. On 10 September 2015, Fullin was converted into a joint stock limited company and renamed as FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司). The following table sets forth the shareholding structure of our Company immediately after completion of the conversion in September 2015.

Shareholders	Number of Shares	Shareholding percentage
Shanshan HK	140,000,000	70.0%
Dayuan Tiandi	25,000,000	12.5%
Shequn No. 1	17,000,000	8.5%
Shequn No. 2	8,000,000	4.0%
Zhonglian Jinkong	5,000,000	2.5%
Nantong Shanshan	2,000,000	1.0%
Shanlian Chuangtou	1,000,000	0.5%
Shanmeng Chuangtou	1,000,000	0.5%
Yuying Ziguan	1,000,000	0.5%
Total	200,000,000	100.0%

On 10 October 2015, the registered capital of our Company was increased from RMB200 million to RMB269.5 million divided into 269,500,000 Shares of a par value of RMB1.0 each. Dayuan Tiandi, Shanshan HK and Longyou Baosheng, a then new shareholder, subscribed for 55,000,000, 9,500,000 and 5,000,000 newly issued Shares at a consideration of RMB74,250,000, RMB12,825,000 and RMB6,750,000, respectively, all of which had been fully paid in cash. The subscription price was determined with reference to the net asset value of RMB205,084,985.47 of Fullin as at 30 June 2015 and a premium which was arrived at arm's length negotiations. The principal business of Longyou

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Baosheng is investment management. The proceeds raised from the issue of additional 69,500,000 Shares were used for the expansion of our finance leasing operation and repayment of bank loans. Upon completion of such capital increase and the subscription of shares, our Company became owned by the following persons and their respective capital contributions are set forth in the table below.

Shareholders	Number of Shares	Shareholding percentage
Shanshan HK	149,500,000	55.47%
Dayuan Tiandi	80,000,000	29.68%
Shequn No. 1	17,000,000	6.31%
Shequn No. 2	8,000,000	2.97%
Zhonglian Jinkong	5,000,000	1.86%
Longyou Baosheng	5,000,000	1.86%
Nantong Shanshan	2,000,000	0.74%
Shanlian Chuangtou	1,000,000	0.37%
Shanmeng Chuangtou	1,000,000	0.37%
Yuying Ziguan	1,000,000	0.37%
Total	269,500,000	100.00%

The principal business of our Company is the provision of finance leasing and advisory service.

Our Subsidiaries

Major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below.

Fullin Factoring

Fullin Factoring was established as a limited liability company in the PRC on 9 May 2013 with the registered capital of RMB50 million, which was contributed by the following then shareholders, all of which had been fully paid in cash.

Shareholders	Capital contribution	Shareholding percentage
	<i>(RMB)</i>	
Fullin	25,500,000	51%
Dayuan Tiandi	10,000,000	20%
Shanshan	9,500,000	19%
Zhejiang Longyou	5,000,000	10% ^(Note)
Total	50,000,000	100%

Note: Zhejiang Longyou, the single largest shareholder of Longyou Baosheng, held such interest on trust for the shareholders of Longyou Baosheng as Longyou Baosheng was still in the course of establishment when the pre approval process of the establishment of Fullin Factoring was carried out.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In September 2014, Zhejiang Longyou transferred its 10% equity interest in Fullin Factoring to Longyou Baosheng at nil consideration as a result of the termination of such entrustment arrangement. Upon completion of such transfer, Fullin Factoring became owned by the following persons and their respective capital contributions are set forth in the table below.

Shareholders	Capital contribution	Shareholding percentage
	(RMB)	
Fullin	25,500,000	51%
Dayuan Tiandi	10,000,000	20%
Shanshan	9,500,000	19%
Longyou Baosheng	5,000,000	10%
Total	50,000,000	100%

In September 2015, with a view to streamlining the shareholding structure of Fullin Factoring, the then shareholders of Fullin Factoring underwent the following share transfers, which in return, Dayuan Tiandi, Shanshan HK and Longyou Baosheng subscribed for newly issued Shares of our Company in October 2015, the details of which is disclosed in the paragraph headed “Our Corporate Development—Our Company” in this section.

Date of transfer	Transferor	Transferee	Capital contribution being transferred	Consideration	Basis of determination of the consideration	Settlement date
			(RMB)	(RMB)		
7 September 2015	Dayuan Tiandi	Our Company	10,000,000	13,500,000	the net asset value of RMB48,186,908.24 of Fullin Factoring as at 30 May 2015 and a premium which was arrived at after arm's length negotiation	22 October 2015
7 September 2015	Shanshan	Our Company	9,500,000	12,825,000	the net asset value of RMB48,186,908.24 of Fullin Factoring as at 30 May 2015 and a premium which was arrived at after arm's length negotiation	22 October 2015
7 September 2015	Longyou Baosheng	Our Company	5,000,000	6,750,000	the net asset value of RMB48,186,908.24 of Fullin Factoring as at 30 May 2015 and a premium which was arrived at after arm's length negotiation	22 October 2015

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon completion of such transfers, Fullin Factoring became a wholly-owned subsidiary of our Company. The principal business of Fullin Factoring is the provision of factoring and advisory service.

Beijing Medical

Beijing Medical was established as a limited liability company in the PRC on 16 February 2011 with the registered capital of RMB33.71 million, which was contributed by Shanshan Investment and had been fully paid in cash.

In April 2014, with a view to expanding our finance leasing business to include medical equipment leasing services, Fullin acquired the entire equity interest in Beijing Medical from Shanshan Investment at a consideration of RMB32,127,964.61. The consideration was determined with reference to the net asset value of RMB32,127,964.61 of Beijing Medical as at 28 February 2014 and settled in April 2015. Upon completion of such transfer, Beijing Medical became a wholly-owned subsidiary of our Company.

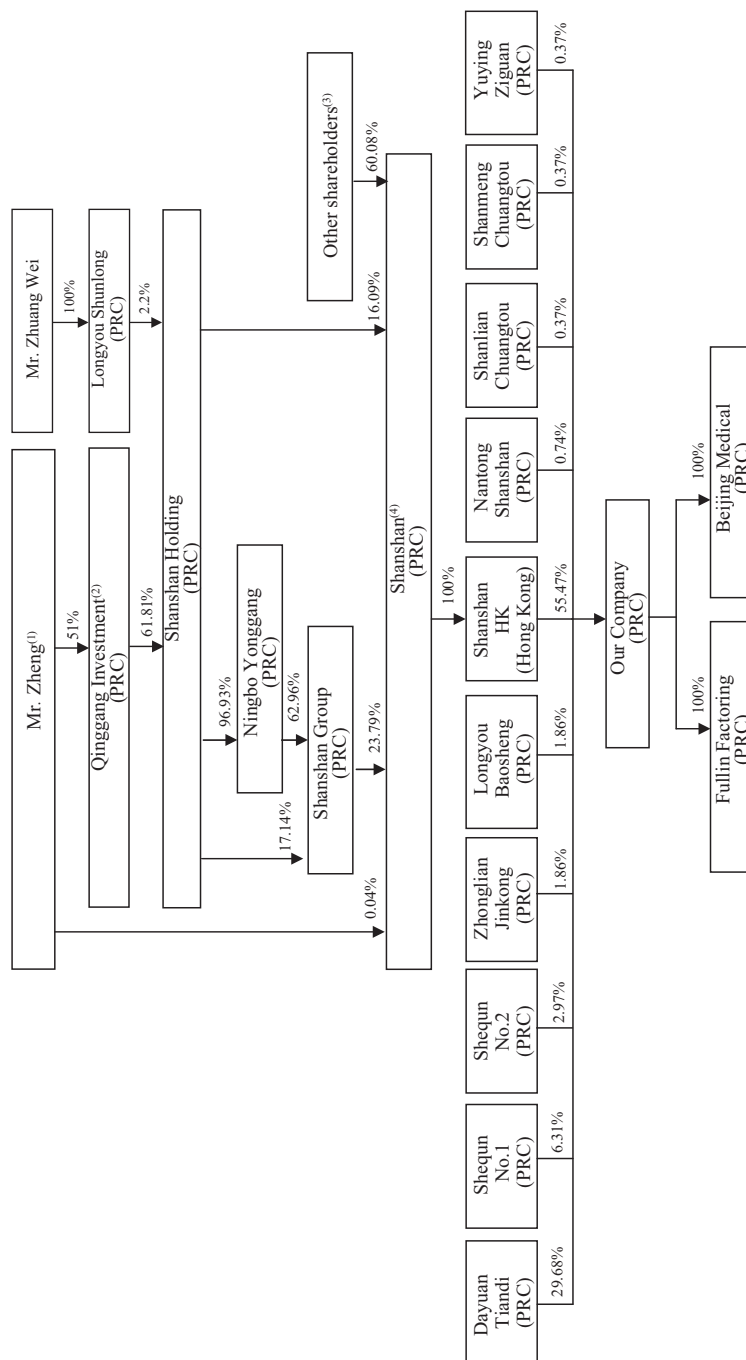
As at the Latest Practicable Date, Beijing Medical had no operations.

Our PRC Legal Advisers have confirmed that the above transfers were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our corporate and shareholding structure as at the Latest Practicable Date:

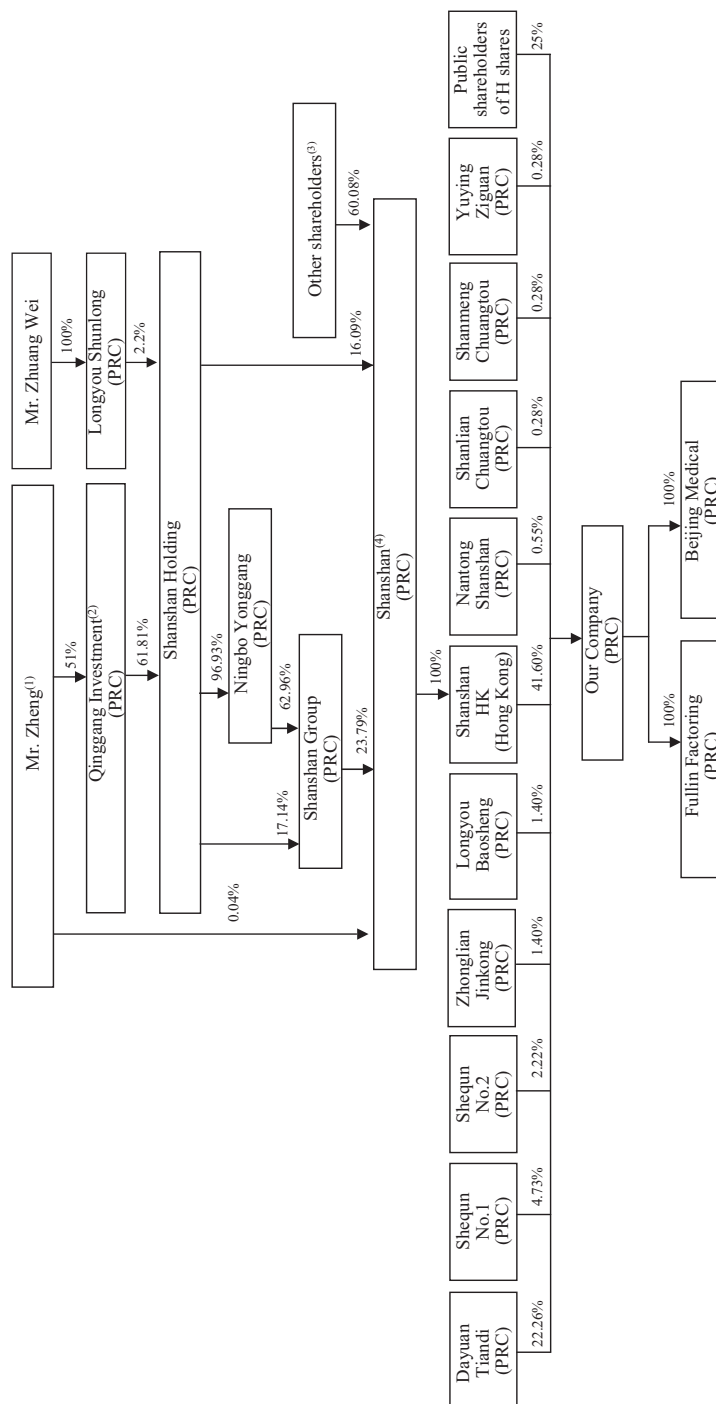


Notes:

1. By virtue of SFO, Mr. Zheng is deemed to be interested in approximately 56.21% of Shares.
2. The remaining 49% equity interest in Qinggang Investment is owned by Ms. Zhou.
3. The other shareholders of Shanshan are all public shareholders.
4. Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately after completion of the Share Offer (assuming that the Offer Size Adjustment Option is not exercised):



Notes:

1. By virtue of SFO, Mr. Zheng is deemed to be interested in approximately 42.15% of Shares.
2. The remaining 49% equity interest in Qinggang Investment is owned by Ms. Zhou.
3. The other shareholders of Shanshan are all public shareholders.
4. Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

ATTEMPTED QUOTATION APPLICATION TO NATIONAL EQUITIES EXCHANGE AND QUOTATIONS CO., LTD. IN 2015

On 26 November 2015, we submitted quotation application to NEEQ in the PRC and received one round of comments from the NEEQ. Such comments mainly relate to (i) regulatory compliance; (ii) details of our Group’s policies relating to internal control, risk management and regulatory compliance; (iii) details of the due diligence work undertaken by the then sponsored broker (the “**NEEQ sponsored broker**”), the PRC lawyer and/or the reporting accountants engaged by the Company for the NEEQ quotation application; (iv) details of our Group’s policies relating to asset recovery, whistle blowing, emergency response and credit management; (v) details of our Group’s top five customers and suppliers, material contracts, major risk factors, industry data, and associated risks of each business segment of our Group; (vi) details of the acquisitions of Beijing Medical and Fullin Factoring; and (vii) accounting treatment in relation to the value of security taken in the ordinary course of our Group’s business. The NEEQ sponsored broker submitted replies to the NEEQ on 2 February 2016, in which the comments from the NEEQ were addressed in detail. Subsequent to the submission of the replies on 2 February 2016, the NEEQ sponsored broker made a verbal enquiry with NEEQ to confirm whether our Company, being a quasi-financial enterprise, is able to be quoted in NEEQ and no direct confirmation was given by NEEQ at the relevant time. On 27 May 2016, NEEQ issued the Notice on Issue Relevant to Quotation and Fund-raising of Financial Companies (《關於金融類企業掛牌融資有關事項的通知》) (the “**Notice**”), which imposed restriction for financial companies to be quoted in NEEQ. Following the issue of the Notice, NEEQ suspended the processing of quotation applications made by certain financial companies, including but not limited to finance leasing companies and factoring companies and we received a termination notice from NEEQ on 23 June 2016 informing us that the examination of our quotation application has been terminated.

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OVERVIEW

We are a financial services company with a focus on providing equipment-based finance leasing, commercial factoring and advisory services to our customers in the PRC. We derive our revenue mainly from finance lease income for provision of finance leasing services, which contributed to 53.0%, 52.0% and 59.7% of our revenue for the years ended 31 December 2014, 2015 and 2016, respectively.

We provide customised finance leasing services based on the industry of, and equipment required by, our customers, and our finance lease offering comprises direct finance lease, new sale-leaseback and used sale-leaseback transactions. Since the commencement of our finance leasing business in 2013, with the support, insight, reputation and wide-ranging industry connections from Shanshan, our Controlling Shareholder listed on the Shanghai Stock Exchange, we have focused our efforts on providing our finance leasing services to the FMCG, electronics, medical, alternative energy and transportation industries across the PRC, where we have established connections with industry players and gained valuable expertise. During the Track Record Period, we had over 240 finance leasing customers in various industries across more than 25 different municipalities, provinces and autonomous regions in the PRC. We believe our wide and diversified customer base allows us to diversify our risks from over reliance and general adverse trends in any particular industry or any particular region. Going forward, we intend to further develop our finance leasing business by targeting the medical and alternative energy (including electric vehicles and renewable energy) industries, which we believe have stable income streams, strong and apparent government support and less susceptibility to cyclical market fluctuations.

We recorded significant growth during the Track Record Period. Our revenue increased by 34.1% from RMB51.9 million for the year ended 31 December 2014 to RMB69.6 million for the year ended 31 December 2015, and further increased by 9.2% to RMB76.0 million for the year ended 31 December 2016. Our gross profit increased by 55.7% from RMB29.6 million for the year ended 31 December 2014 to RMB46.1 million for the year ended 31 December 2015, and further increased by 42.3% to RMB65.6 million for the year ended 31 December 2016. Our net finance lease receivables also increased by 27.4% from RMB513.3 million as at 31 December 2014 to RMB653.7 million as at 31 December 2015, and further increased by 31.4% to RMB859.1 million as at 31 December 2016. We strive to continue improving and enhancing our risk management measures and, from the experience gained by our management and staff since the commencement of our business, we believe we have implemented stringent procedures to minimise our risk exposure. As a result of our stringent and mature risk management procedures, as at the Latest Practicable Date, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil.

We established Fullin Factoring in Tianjin City to commence our factoring business in 2013, which was among the first batch of companies to engage in commercial factoring business in the PRC pursuant to the *Circular of the Ministry of Commerce on Issues Related to the Pilot Program of Commercial Factoring* (商務部關於商業保理試點有關工作的通知) promulgated by MOFCOM. For our commercial factoring business, we provide financing and accounts receivable management services to our customers in return for (i) interest and management fee income and (ii) transfer of legal title of accounts receivable from our customer to us. Our factoring business experienced significant

BUSINESS

growth during the Track Record Period. Revenue from our factoring business increased by 98.4% from RMB6.4 million for the year ended 31 December 2014 to RMB12.7 million for the year ended 31 December 2015, but decreased by 7.1% to RMB11.8 million for the year ended 31 December 2016. Revenue from our factoring business contributed to 12.3%, 18.3% and 15.5% of our total revenue for the years ended 31 December 2014, 2015 and 2016, respectively.

We derive advisory service fee income for providing customised advisory services to our customers. Our advisory services include providing market information (such as analysis of equipment suppliers), product advice (such as selection and pricing of equipment), analysis on competition in the industry (such as research on the business scale and financial performance of our customer's competitors), solutions for optimising operational workflow, as well as financial management (such as analysis of key financial ratios) and asset management advice. For the years ended 31 December 2014, 2015 and 2016, our advisory service fee income amounted to RMB18.4 million, RMB21.4 million and RMB19.1 million, respectively, which accounted for 35.4%, 30.7% and 25.2% of our total revenue during the respective periods.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths will enable us to compete effectively in the finance leasing, factoring and advisory services industries in the PRC.

We have accumulated substantial experience from providing finance leasing services in the alternative energy industry and benefit from Shanshan's position in this industry as an affiliated company of Shanshan.

We have accumulated substantial experience and expertise from providing finance leasing services to customers in the alternative energy industry, which accounted for 7.5%, 11.5% and 28.0% of our total revenue attributable to our finance leasing business for the years ended 31 December 2014, 2015 and 2016, respectively. Shanshan, one of our Controlling Shareholders, is one of the leading suppliers for manufacturing of lithium battery in the world in terms of production volume, according to the CIC Report. As an indirect subsidiary of Shanshan during the Track Record Period, we have benefited from Shanshan's industry reputation in the alternative energy industry in focusing our efforts to develop our business in this target industry. We believe our association with Shanshan have reinforced our customer's confidence in our services and have allowed us to grow our customer base in the alternative energy industry within a short period after commencement of our business in 2013. We have also benefited from Shanshan's industry knowledge in establishing our expertise to better serve our customers in the alternative energy industry and in conducting due diligence of various potential customers and equipment suppliers for our risk assessment and management. Shanshan has announced its intention to become a global leader in the alternative energy industry and this aligns with our strategy to continue developing our business in this target industry. We believe we will continue to benefit from our position as an affiliated company of Shanshan and from the strategic advice of our non-executive Directors who will continue to hold senior positions in Shanshan.

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We have implemented prudent risk management and internal control processes.

We have established comprehensive risk management and internal control procedures to deal with various risks relating to our business. As at the Latest Practicable Date, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil, which illustrates the effectiveness and maturity of our risk management system. Our risk management system is tailored to the characteristics of our business operations, with a focus on managing risks through comprehensive customer due diligence, independent information review and multi-level approval process. All finance leasing and factoring transactions are reviewed by the corresponding risk management department and risk assessment committee prior to signing of transaction documents. Our risk management process also includes a continuous review process after the finance lease is approved. Our asset management team reviews the leased asset on a regular basis, including performing on-site visit to inspect the status of the leased asset and reviewing the credit report of the customer. This continuous review process enables us to spot any potential default of our customer and take remedial action to enhance the security of our assets at an early stage. For further details, see “Risk Management and Operations”.

Our development is supported by our strong capital base and diverse fundraising capabilities.

As at 31 December 2014, 2015 and 2016, the risk assets of the Company was at a healthy level of less than three times of our net assets, which we believe is significantly lower than the regulatory limit of 10 times of the net assets for finance lease companies and which we believe provides us with much room for future growth. We obtained a cross-border RMB denominated credit facility of RMB200 million in 2013. We have also obtained RMB18.0 million in financing from an Independent Third Party by pledging RMB27.5 million of our finance lease receivables in February 2015. In September 2016, we have obtained an entrusted loan of RMB300.0 million through a state-owned commercial bank in China without any guarantee provided from our Controlling Shareholders. For details on this loan, see “Business — Our Lenders and Funding Capabilities”. In addition, in November and December 2016, we have obtained two loans of RMB100.0 million and RMB100.0 million, respectively, from a state-owned commercial bank in the PRC. After Listing, we will increase our registered capital and be able to secure additional funding from the public markets and from new and existing banks. The net proceeds from the Share Offer will be primarily used to expand our business operations. Because of our strong capital base, fundraising, capability, and reputation in the capital market, we believe we are well supported for further growth and development.

We have a diversified customer base and are positioned to benefit from our relationship with customers in our target industries.

Although we have focused our efforts on providing our financial services to several target industries, we are not dependent on any single customer and we have established a diversified customer base. During the Track Record Period, we had over 240 finance leasing customers in five major industries across more than 25 municipalities, provinces and autonomous regions in the PRC. For each of the years ended 31 December 2014, 2015 and 2016, our five largest customers accounted for 21.4%, 29.0% and 29.1% of our revenue (before business tax and surcharge), respectively and the single

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largest customer accounted for 9.2%, 12.6% and 9.2% of our revenue (before business tax and surcharge), respectively. We believe our wide and diversified customer base allows us to diversify our risks from over reliance and general adverse trends in any particular industry or any particular region.

During the Track Record Period, we have focused our efforts on providing finance leasing services to the FMCG, electronics, medical, alternative energy and transportation industries. We believe these industries have relatively stable revenue streams, strong and apparent government support and relatively less susceptibility to cyclical market fluctuations. Based on the connections knowledge and experience we have accumulated in these industries, we believe we are well positioned to benefit from the growth and future financing needs in these target industries.

We have an experienced and stable management team which enables us to deliver reliable and efficient services to our customers.

Our Directors and members of our management team have extensive experience in the financial services industry. Our Group's chairman has more than 20 years of experience in the investment industry and our executive Directors have an average of over six years of experience in the financial industry in the PRC and they have been involved in our management since the commencement of our Group's business. Every member of our senior management team has joined our Group for over three years and has years of relevant industry experience ranging from three years to more than 10 years. Our stable management team, in drawing from their extensive industry experience and expertise, enables us to deliver reliable and efficient services to our customers.

OUR STRATEGIES

We aim to continue our rapid growth through the following strategies.

Expand our business model and develop in emerging industries.

Based on our established business model, we will actively expand our finance leasing business and integrate our business connections with upstream and downstream resources in emerging industries such as the medical, alternative energy and transportation industries and increase the economic benefits we can derive from our operations. We intend to continue developing our finance leasing business in traditional industries such as the electronics and FMCG industries and also focus and intensify our efforts in developing in the emerging industries without compromising our risk management and asset quality. We also intend to develop standalone accounts receivable management services for our existing factoring customers and also new customers with a large portfolio of accounts receivable, such as collection and management of their accounts receivable, in return for management fees. We strive to provide high quality, customised and professional services to our customers through our in-depth knowledge in the financial industry and the industries of our customers. We plan to continue to provide training and development programs for our employees to enhance their professional knowledge, keep them abreast of industry updates, and further improve our customer services.

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Expand the size of our finance leasing and factoring business portfolio.

We intend to expand our finance leasing and factoring businesses and improve our market share as a non-bank financial services provider. According to the CIC Report, the PRC finance leasing market, in terms of outstanding balance, is expected to grow from RMB5.3 trillion in 2016 to RMB13.3 trillion in 2021 at a CAGR of 20.0% and the PRC commercial factoring market is expected to grow from RMB500.0 billion in 2016 to RMB4,607.0 billion in 2021 at a CAGR of 55.9%. We believe there are substantial growth potential in market demand for our finance leasing and factoring services arising from the growth of private sector enterprises and public institutions in the PRC.

During the Track Record Period, we had over 240 finance leasing customers in various industries across more than 25 municipalities, provinces and autonomous regions in the PRC. We intend to communicate with our existing customers more frequently to explore further business opportunities. We also intend to expand our current finance leasing and factoring business portfolio by maintaining closer contacts with suppliers of equipment for customer referrals. In addition, we plan to conduct market research to identify more industries suitable for our finance leasing and factoring businesses, especially industries with high growth potential, which we expect would allow us to expand our market coverage and customer base. Furthermore, although we have accumulated substantial experience and expertise from providing finance leasing services to customers in the alternative energy industry, which accounted for 7.5%, 11.5% and 28.0% of our total revenue attributable to our finance leasing business for the years ended 31 December 2014, 2015 and 2016, respectively, the number of our customers in this industry is relatively limited (see the paragraph headed “Sales and Marketing” in this section for further details). As our Controlling Shareholder, Shanshan, is one of the leading suppliers that manufacture lithium batteries in the world in terms of production volume according to the CIC Report, we intend to continue to leverage on its industry reputation and leading market position to attract more customers in the alternative energy industry. Since finance leasing and factoring businesses are capital-intensive in nature, we intend to utilise the net proceeds from the Share Offer to increase the size of our finance leasing and factoring portfolio. For further details, see “Future Plans and Use of Proceeds”. We also aim to secure further funding from our lenders and the public market to continue to capitalise on growth opportunities in China’s finance leasing and factoring market.

Optimise the asset portfolio structure of our finance leasing and factoring businesses.

We intend to optimise the asset portfolio structure of our finance leasing and factoring businesses through improving our client base structure to improve our asset quality and minimise our risk exposure. To achieve this, we intend to focus on developing our relationship with customers who are leading market players in their industries (such as listed companies and large private companies) and have more competitive advantages and better management against risk exposures. We will conduct continuous research on our customers to identify any high risk industries. This will allow us to be updated with changes in market conditions, and react promptly to any possible change in our asset portfolio structure. Our risk management department will continue to maintain updated information on our customers, including their industries and locations, and prepare reports on a regular basis for our management team, to avoid over concentration of customers in any particular industry or geographical location. This is expected to help limit our risk exposure in the event of economic downturn or other adverse events in any particular industry or geographical location. We will also focus on developing

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our relationship with customers who have smaller scale but have well established connections with major equipment suppliers/buyers and are able to obtain guarantees or security deposits from such equipment suppliers/buyers for their finance leasing and factoring transactions with us, which will allow us to serve more downstream SMEs of major suppliers without compromising our risk exposure.

We intend to develop our business in more different sub-industries to reasonably allocate our assets and diversify our risk exposure so that our risks will not be over-exposed in one particular industry. We will also develop our business in more geographical locations to minimise our risk exposure.

We believe we will be able to optimise our asset portfolio structure and increase the overall quality of our assets through improving our client base structure and allocating our assets in different sub-industries and geographical areas.

Enhance our specialised and professional workforce.

We believe our growth is attributable to our ability to select, develop, motivate and retain our talented and professional workforce. We plan to enhance our workforce to fulfill our strategic goals. We will continue to focus on recruiting new personnel to improve and cultivate the technical expertise and industrial knowledge of our workforce for our target industries, providing training and development programs to enhance their professional knowledge and capability, and creating a supportive culture promoting personal and professional development. We intend to provide training programs for our management team, and business and risk management managers to enhance their industry knowledge and keep them abreast of updates to the industries. In particular, we plan to invite external speakers to provide industry-specific trainings. We will continue to improve our incentive-based compensation structure to help align employees' compensation with their contribution to our business. We will also continue to improve our human resources policies to attract, train, incentivise and retain employees.

Continue to enhance our risk management capabilities.

We intend to continue to enhance our risk management capabilities by continuing to focus on implementing an integrated and dynamic risk management system and optimising our prudent risk management systems to protect the long-term interests of our Shareholders, customers and employees. We intend to proactively streamline our policies and enhance our customer selection process, credit assessment and approval procedures. In particular, we will put more attention on the early stages of and implement effective criteria for client selection. In addition, we intend to upgrade our information technology systems to more closely monitor and control the condition of assets, improve our financing project management and enhance the overall asset monitoring of our Company. We also intend to enhance our risk management capabilities to deal with illiquid assets and defaulted loans. To achieve these goals, we will continue to expand our professional risk management team and plan to recruit approximately 10 additional risk management personnel by the end of 2017. With the additional manpower, we will intensify our efforts in conducting independent due diligence and credit assessment for potential projects, and portfolio management.

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Strategic cooperation and business development by leveraging our industry contacts.

Our direct finance lease transactions entail the purchase of new equipment which is then leased to our customers. Leveraging on our relationships and industry knowledge, we intend to form strategic cooperation with equipment suppliers in our target industries to mutually develop business opportunities. Such cooperation can provide potential equipment customers with financing flexibility through our finance leasing services and provide us with opportunities to expand our customer base. As at 31 December 2016, we have entered into five framework cooperation agreements with different equipment suppliers and other financial services companies (including two in the medical industry) for our finance leasing business. For further details, see the paragraph headed “Our Business Model and Source of Revenue — (A) Finance Leasing — (i) Direct Finance Leasing” in this section. In addition, we aim to work with other financial services companies for our factoring business and as at 31 December 2016, we have entered into three framework cooperation agreements to develop potential factoring opportunities. We will continue to seek further cooperation with leading equipment suppliers in our target industries, such as the medical and alternative energy industries.

OUR BUSINESS MODEL AND SOURCE OF REVENUE

We provide finance leasing, factoring and advisory services to customers throughout the PRC. Our finance leasing and advisory services operations are headquartered in Shenzhen and our factoring operations are headquartered in Tianjin City. Under the finance leasing segment, we primarily derive our revenue through leasing of equipment to our finance leasing customers. Under the factoring segment, we primarily generate interest income for financing provided to our customers which are secured by accounts receivable of our factoring customers and management fee income for providing accounts receivable management services. We also provide advisory services (including provision of market information, product advice and industry competition analysis) to our customers in return for advisory fee income. The following table sets forth a breakdown of our revenue during the Track Record Period:

Revenue	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Finance leasing	27,549	53.0	36,206	52.0	45,396	59.7
Factoring	6,368	12.3	12,713	18.3	11,838	15.5
Advisory service	18,359	35.4	21,361	30.7	19,138	25.2
Less: Business tax and surcharge	(371)	(0.7)	(669)	(1.0)	(325)	(0.4)
Total	<u>51,905</u>	<u>100.0</u>	<u>69,611</u>	<u>100.0</u>	<u>76,047</u>	<u>100.0</u>

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(A) Finance Leasing

We categorise our finance leasing operations into (i) direct finance leasing, (ii) new sale-leaseback and (iii) used sale-leaseback. Direct finance leasing and new sale-leaseback involve leasing of new equipment acquired (either by us or by our customer) from an equipment supplier prior to the lease transaction, whereas used sale-leaseback involves leasing of used equipment which were owned by our customer and sold to us prior to the lease transaction. The following table sets forth a breakdown of our revenue from finance leasing during the Track Record Period:

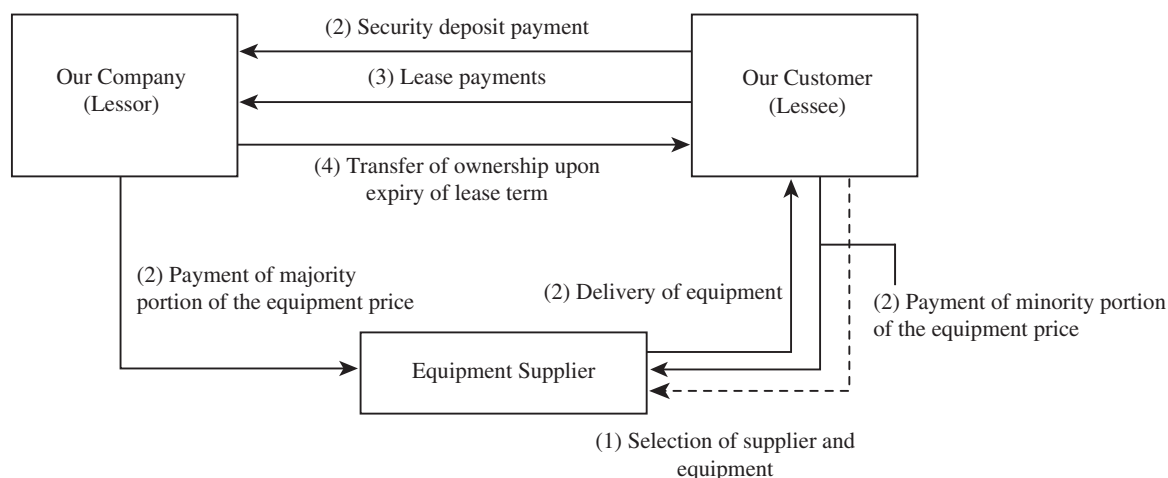
Revenue	Year ended 31 December					
	2014		2015		2016	
	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>
Lease of new equipment						
— Direct finance leasing	104	17,005	142	21,367	164	23,844
— New sale-leaseback	26	4,420	50	9,454	91	16,512
Lease of used equipment						
— Used sale-leaseback	27	6,124	25	5,385	39	5,040
Total	157	27,549	217	36,206	294	45,396

(i) Direct Finance Leasing

In direct finance leasing, we (as lessor) will purchase specific asset under the lease agreement from the equipment supplier, pursuant to the instructions given by the lessee. We typically pay 60% to 90% of the purchase price of the asset and the lessee pays the remainder of the purchase price directly to the equipment supplier. The lessee also pays us a security deposit at the time of the purchase, which typically ranges from 5% to 20% of the purchase price. In some cases, the equipment supplier also pays us a security deposit at the time of the purchase, which typically ranges from 10% to 20% of the purchase price. We then lease the asset to our customer (as lessee) for its use in return for periodic lease payments paid by the customer to us. Usually in two to three years, or in some cases on longer terms, the lessee repays the portion of purchase amount of the assets provided by us, together with interest and other fees to us. At the end of the lease term, the ownership of the assets will be transferred to the lessee. Direct finance leasing is mainly used when our customers commence new projects, expand production, upgrade their technology and have financial demands to purchase new equipment. We fund our direct finance leases primarily through our own capital, bank borrowings and shareholders' loan.

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A typical direct finance lease involves three parties, namely lessor, lessee and equipment supplier. The following diagram illustrates the relationship among the three parties:



In some direct finance leases, we may also require the equipment supplier to provide a guarantee for the lease payments of our customer. Under such guarantee arrangement, if the customer defaults on its lease payments, the equipment supplier shall be liable to pay us such outstanding lease payments or to buy-back the equipment. In some cases, we may need to repossess the equipment from our customer before we can enforce the guarantee obligations of the equipment supplier.

As at 31 December 2016, we had 109 outstanding direct finance leases. During the Track Record Period, the financing amount provided for each lease arrangement under our direct finance leasing segment ranged from RMB0.2 million to RMB62.1 million.

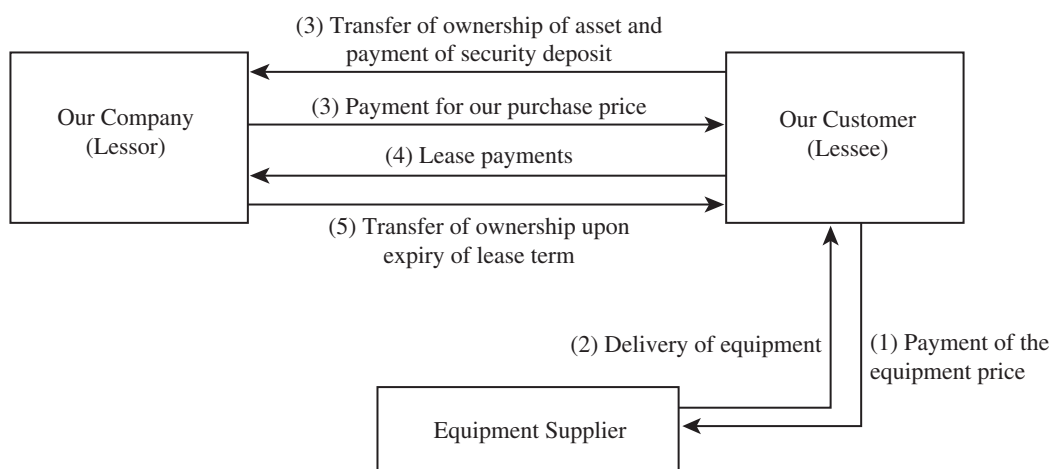
We also cooperate with equipment manufacturers in conducting direct finance leasing. Under this cooperation arrangement, we agree to provide finance leasing services to potential customers of the equipment manufacturer and the equipment manufacturers agree to promote our services to their potential equipment customers. The equipment manufacturers will typically provide us a guarantee for the performance of these customers under the finance leases. The cooperation agreement typically contains various assessment standards on potential customers who wish to obtain finance leasing, including requirements on their credit history, industry track record and past financial performance. We will conduct the same level of due diligence and credit assessment on these potential customers as with all our other customers and we have the discretion not to provide finance leasing to them after our review and assessment.

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(ii) *New sale-leaseback*

In a new sale-leaseback transaction, our customer will purchase specific asset directly from the equipment supplier with their own funds first and we (as lessor) will subsequently purchase the equipment from our customer. We will purchase the asset from our customer typically at 60% to 90% of the purchase price paid to the equipment supplier and then we (the lessor) will lease the equipment back to our customer (the lessee) for its use in return for periodic lease payments paid by the customer to us. The lessee also pays us a security deposit at the time of our purchase, which typically ranges from 5% to 15% of the original purchase price. In some cases, the equipment supplier also pays us a security deposit at the time of the purchase, which typically ranges from 10% to 20% of the purchase price. Usually in two to three years, or in some cases on longer terms, the lessee repays the financing provided by us, along with interest and other fees to us. At the end of the lease term, the ownership of the assets will be transferred to the lessee. New sale-leaseback finance leasing is mainly used when our customers commence new projects, expand production, upgrade their technology and have financial demands to purchase new equipment in a short period of time and would need to acquire the asset as soon as possible. We fund our new sale-leaseback transactions primarily through our own capital, bank borrowings and shareholders' loan.

A typical new sale-leaseback involves three parties, namely lessor, lessee and equipment supplier. The following diagram illustrates the relationship among the three parties:



In some new sale-leaseback transactions, we may also require the equipment supplier to provide a guarantee for the lease payments of our customer. Under such guarantee arrangement, if the customer defaults on its lease payments, the equipment supplier shall be liable to pay us such outstanding lease payments or to buy-back the equipment. In some cases, we may need to repossess the equipment from our customer before we can enforce the guarantee obligations of the equipment supplier.

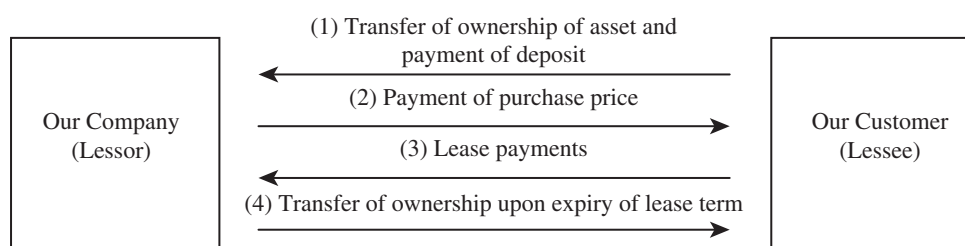
As at 31 December 2016, we had 83 outstanding new sale-leaseback transactions. During the Track Record Period, the financing amount provided for each lease arrangement under our new sale-leaseback segment ranged from RMB50,000 to RMB59.0 million.

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(iii) *Used sale-leaseback*

In a used sale-leaseback transaction, our customer (the lessee) sells their existing asset to our Company (the lessor) at a negotiated purchase price with reference to an appraised value by specialists from our Business and Risk Management Departments, who are experienced in the industry, and approved by our Project Approval Committee or our Risk Investment Committee. We then lease the asset back to the lessee for its use in return for periodic lease payments paid by the customer to us. The negotiated purchase price is typically 50% to 75% of the agreed value of the equipment and depends on various factors such as the industry involved, the equipment's liquidity and prevailing prices in the second-hand market and the physical condition of the equipment. The lessee also pays us a security deposit at the time of the purchase, which typically ranges from 10% to 15% of the negotiated purchase price. Usually in three years, the lessee repays the purchase amount of the asset, interests and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee. Throughout the transaction process, the lessee remains in possession of the underlying asset. Used sale-leaseback is primarily used by our customers who need working capital for their operations. We fund our used sale-leaseback transactions primarily through our own capital, bank borrowings and shareholders' loans.

A typical used sale-leaseback involves two parties, namely lessor and lessee. The following diagram illustrates the relationship between the two parties:



As at 31 December 2016, we had 27 outstanding used sale-leaseback finance leases. During the Track Record Period, the financing amount provided for each lease arrangement under our used sale-leaseback segment ranged from RMB70,000 to RMB100.0 million.

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The following table sets forth a breakdown of the maturity profile of our finance lease receivables as at the date indicated:

Maturity Profile of Finance Lease Receivables

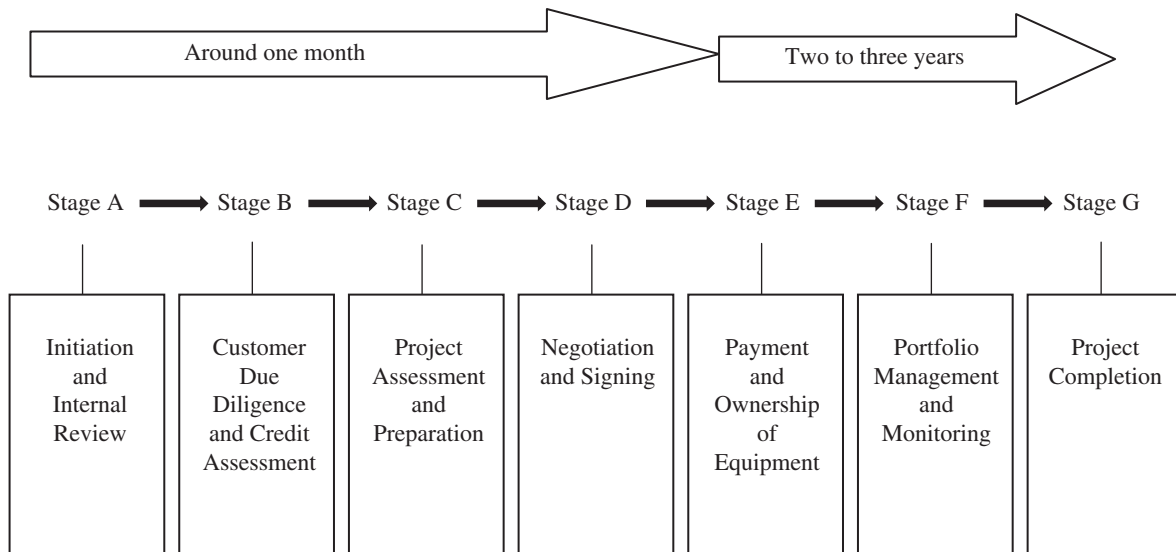
	As at 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Gross finance lease receivables						
Due within one year	290,580	50.1%	406,112	55.1%	449,593	46.1%
Due in one to two years	218,913	37.7%	200,306	27.1%	301,750	31.0%
Due in two to three years	66,218	11.4%	93,860	12.7%	158,876	16.3%
Due after three years and beyond ⁽¹⁾	<u>4,376</u>	<u>0.8%</u>	<u>37,920</u>	<u>5.1%</u>	<u>64,522</u>	<u>6.6%</u>
Total	<u>580,087</u>	<u>100.0%</u>	<u>738,198</u>	<u>100.0%</u>	<u>974,741</u>	<u>100.0%</u>
Present value of minimum lease payment						
Due within one year	245,516	47.6%	362,731	54.3%	396,473	45.3%
Due in one to two years	202,578	39.3%	182,986	27.4%	271,615	31.1%
Due in two to three years	63,706	12.3%	87,354	13.1%	146,113	16.7%
Due after three years and beyond ⁽¹⁾	<u>4,050</u>	<u>0.8%</u>	<u>34,857</u>	<u>5.2%</u>	<u>59,901</u>	<u>6.9%</u>
Total	<u>515,850</u>	<u>100.0%</u>	<u>667,928</u>	<u>100.0%</u>	<u>874,102</u>	<u>100.0%</u>

⁽¹⁾ The ceiling on the maturity of these receivables is five years.

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Operational Workflow

We have designed a systematic operational workflow from Stage A to Stage G for our finance leasing operation. Under this workflow, various risk control measures and procedures are consistently applied to each finance lease transaction, which involves the active participation of different departments in our Group. The chart below sets out the typical process workflow of our finance leasing business operations:



Stage A: Initiation and Internal Review

Once we have received an application for finance leasing by a potential customer, our Business Department will process such application and conduct an internal review of the application in accordance with our internal guidelines. We will then tailor potential project structures for such customer and duly prepare relevant price quotes according to the information provided in the application.

Stage B: Customer Due Diligence and Credit Assessment

We then conduct more detailed research into the background and creditworthiness of our potential customer. Our Business Department and Risk Management Department are jointly responsible for carrying out customer due diligence and preparing the relevant assessment reports. Depending on the customer's creditworthiness, we will determine the down payment amounts, interest rates and other key terms of the lease agreement. Personnel from our Risk Management Department will conduct on-site due diligence at the customer's place of business and will also obtain a credit rating report on the customer from the PBOC.

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Stage C: Project Assessment and Preparation

Our Project Approval Committee and, for some transactions, our Risk & Investment Committee will assess the proposed finance leasing project in accordance with our Business Decision Management Manual, and to approve of the proposed project. For transaction amounts equal to or less than RMB10 million, approval from our Project Approval Committee will be required. For transaction amounts over RMB10 million, approval from both our Project Approval Committee and our Risk & Investment Committee will be required. After the project is approved, a detailed project plan will be prepared and relevant legal documents, including the finance lease agreement, will also be prepared accordingly.

Stage D: Negotiation and Signing

Our business manager is then responsible for agreement negotiations and reviewing any relevant legal documents, with the support and assistance of our Legal Department. Our Finance Department will be responsible for negotiating and setting up a lease payment timetable for the customer. The finance lease agreement must be individually approved by our general manager before it is signed.

Stage E: Payment and Ownership of Equipment

After the finance lease agreement is signed, our Business Department and Finance Department are jointly responsible for ensuring the satisfaction of the contractual conditions precedent prior to approving payment for the leased equipment, while a specialist from our Asset Management Department is in charge of monitoring logistics, insurance coverage, delivery of goods, equipment installation and inspection procedures at this stage. For direct leasing, our customer is typically responsible for the inspection of the equipment delivered by the supplier, but we will conduct due diligence on the equipment supplier also if we are required to make payment prior to the delivery of the equipment. We will usually purchase insurance on the equipment under lease arrangements or, in some cases, require our customer to purchase insurance on the equipment for our benefit.

Stage F: Portfolio Management and Monitoring

Our Asset Management Department is responsible for portfolio management and supervision of each project in accordance with the agreed lease payment timetable, including conducting on-site or remote inspection and preparing relevant customer assessment reports. When we encounter certain “negative signals” (such as missed lease payments which may lead to potential lease defaults, change of location of or damage to the leased equipment, or deteriorating business operation of the customer), certain risk control procedures will be initiated to mitigate potential losses. We will conduct biannual on-site inspection and due diligence on the leased equipment and also re-evaluate the market value of the leased equipment.

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Under our finance lease agreements, we are usually entitled to several remedies when there is a default by our customer including adjusting the lease payment timetable, accelerating repayment of finance lease receivables, commencing litigation if further negotiations with our customer are not successful, and repossessing the equipment. We will usually conduct on-site due diligence and negotiations if a customer defaults on its lease payment for over 10 days. In deciding whether to exercise any particular remedy, we may take into account considerations such as: (i) the current status and the prospects of the customer's financial condition; (ii) the difficulty of repossessing the assets underlying our leases and realising their value; (iii) any additional collateral and guarantee offered and provided by the customer; (iv) the credit record of the customer and (v) our relationship with the customer.

Stage G: Project Completion

The finance lease project is completed upon full performance of the finance lease agreement. During the completion stage, our Finance Department is responsible for ensuring due receipt of lease payments and the timely despatch of lease receipts, while our Asset Management Department is in charge of completing the transfer of ownership of lease equipment to our customer. The initial security deposit paid by the customer will be used to set-off the final lease payment and the agreed nominal value for the purchase of the equipment from us, and any remaining amount will be paid back to our customer. If the equipment supplier has paid us a security deposit at the start of the finance lease, we will return the deposit to the equipment supplier when the finance lease project is completed.

For further details on the risk management measures we have adopted, see "Risk Management and Operations".

Summary of Key Terms of Lease Agreements

We have standard templates for our finance leasing services. A summary of the key terms of our finance lease agreements is set out below.

- *term*: usually two to three years;
- *equipment under lease*: lessee's operational equipment; detailed equipment list is listed as appendix in our finance lease agreement;
- *title/ownership of equipment under lease*:
 - under direct finance leasing, the title/ownership of equipment will first be transferred from the equipment supplier to the lessor upon entering the purchase agreement, then from the lessor to the lessee upon the completion of the finance lease agreement;

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- under sale-leaseback, the title/ownership of equipment under lease will be transferred from lessee to lessor upon entering the ownership transfer agreement, then from the lessor back to the lessee upon the completion of the sale-leaseback agreement;
- *equipment delivery inspection and valuation:*
 - under direct finance leasing, the equipment will be delivered from the equipment supplier to the lessee; the lessee will inspect the equipment;
 - under sale-leaseback, the assets will remain in lessee's possession; we have the right to inquire on the status of the equipment;
- *insurance:*
 - under direct finance leasing, there shall be full insurance coverage on assets under lease, and the insurance cost shall be borne by the seller and the lessee;
 - under sale-leaseback, there shall be full insurance coverage on assets under lease and the insurance cost shall be borne by the lessee;
- *rent, fees and security deposit:*
 - monthly or quarterly payment of lease by lessee;
 - fees for late repayment and insurance; and
 - security deposit is required;
- *default provision:* If lessee fails to pay any instalment of rent or fails to perform any of its obligation specified in the agreement, we shall have the right to demand prompt payment in full or in part of the leases receivable;
- *dispute resolution:* first through negotiation and if no consensus could be reached, legal proceedings at a court in a jurisdiction agreed by the parties;
- *completion:* after full settlement of all interest and principal payables or compensation settled.

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Lease Assets and Collateral

For direct leasing and new sale-leaseback transactions, we generally provide our customers with net funding of up to 90% of the net value of the asset under the finance lease agreements. For used sale-leaseback transactions, we typically provide 50% to 70% of the agreed value of the equipment. The agreed value is negotiated between us and our customer, with reference to: (i) the net book value of the equipment calculated by subtracting depreciation and taxes paid from the original purchase price and (ii) the net realisable value of the equipment appraised by us, after taking into account of various factors such as the industry involved, the equipment's liquidity and prevailing prices in the second-hand market and the physical condition of the equipment. Under each finance lease, title of the leased asset is transferred to us as security and we register each finance lease transaction with the online registration established by MOFCOM. During the Track Record Period, we obtained legal title to all the assets under our finance lease agreements and duly registered all finance leases with the MOFCOM registration system. According to the terms of our finance lease agreements, we have the right to immediately and unilaterally dispose such assets if any customer defaulted on their lease payments to us. We may also require lessees and third parties to provide additional collateral or guarantees so that we have better protection against our credit risk. These additional collateral or guarantees include: (i) joint and several guarantees from the lessee's legal representative, major stakeholders, related-party companies and third party companies; (ii) pledge of production equipment, real property or accounts receivable; and (iii) pledge of shares from the lessee's company.

As at 31 December 2014, 2015 and 2016, we respectively had one, one and three finance leasing transactions whereby our customers had provided production equipment, real property or accounts receivable as additional collateral for their finance lease, with aggregate estimated value of RMB0.6 million, RMB0.6 million and RMB158.9 million, respectively. As at 31 December 2016, we had obtained a pledge of accounts receivable amounting to RMB155.9 million. The value of the production equipment collateral is based on the net book value of the equipment calculated by subtracting depreciation from the original purchase price, and the value of real property is estimated based on, among other factors, the location of the property and value of nearby properties. Furthermore, during the Track Record Period, most of our finance leases were secured by guarantees from the lessee's controlling stakeholder or legal representative. As at 31 December 2014, 2015 and 2016, we had nil, three and three finance leasing transactions, respectively, which were secured by share pledge. For customers whose ability to repay has been seriously affected by internal or external factors, and such factors are likely to last in the long term, we may also request the customer to: (i) provide additional guarantees from third parties with sufficient resources and ability to repay the principal and interest under the finance leasing agreement; and (ii) provide further collateral. The following provides details of our range of coverage ratio and loan to value ratio of our finance leases during the Track Record Period.

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Coverage ratio and loan to value ratio range for outstanding finance lease receivables as at year end

	As at 31 December		
	2014	2015	2016
Type of leased asset			
<i>Production machinery (RMB million)</i>	0.26-27.54	0.30-80.00	0.53-183.94
<i>Transportation assets (RMB million)</i>	2.04-8.90	0.86-8.90	0.10-18.96
<i>Medical equipment assets (RMB million)</i>	0.50-5.02	0.50-12.40	1.29-25.59
Value of collaterals by leased asset			
<i>Production machinery (RMB million)</i>	846.04	1,165.64	1,230.88
<i>Transportation assets (RMB million)</i>	38.74	56.95	112.60
<i>Medical equipment assets (RMB million)</i>	39.79	139.39	296.77
<i>Additional collateral (RMB million)</i>	0.60	0.60	158.89
Range of finance lease receivables (netting off deposit from finance lease customer) (RMB million)	0.09-17.77	0.02-70.17	0.02-105.27
Coverage ratio			
Range of coverage ratio of individual lease ⁽¹⁾	0.94 ⁽²⁾ -8.15	0.94 ⁽³⁾ -95.65	0.87 ⁽⁴⁾ -294.60
Aggregate total coverage ratio ⁽¹⁾	1.78	2.11	1.88
Range of coverage ratio including additional collateral	0.94 ⁽²⁾ -8.15	0.94 ⁽³⁾ -95.65	0.87 ⁽⁴⁾ -294.60
Aggregate total coverage ratio including additional collateral ⁽¹⁾	1.78	2.11	2.06
Loan to value ratio			
Loan to value ratio by leased asset ⁽¹⁾			
<i>Production machinery</i>	54.8%	44.4%	49.2%
<i>Transportation assets</i>	72.2%	56.6%	57.9%
<i>Medical equipment assets</i>	69.1%	68.4%	68.5%
Overall loan to value ratio ⁽¹⁾	56.2%	47.4%	53.3%
Overall loan to value ratio including additional collateral ⁽¹⁾	56.2%	47.4%	48.6%

Notes:

- (1) Coverage ratio is calculated as leased asset value divided by the outstanding finance lease receivables (netting off deposit from finance lease customer). Aggregate total coverage ratio is calculated as total leased asset value divided by the outstanding finance lease receivables (netting off deposit from finance lease customer). The weighted average coverage ratio of our individual finance leases is identical to the aggregate total coverage ratio. Loan to value ratio is the reciprocal of coverage ratio.
- (2) There was one finance lease for the year ended 31 December 2014 for which the coverage ratio was below 1. We have obtained a joint liability guarantee from the equipment supplier and its controlling stakeholder for this finance lease.

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- (3) There was one finance lease for the year ended 31 December 2015 for which the coverage ratio was below 1. For this finance lease, we have obtained a guarantee from the equipment supplier to buy-back the equipment from us even if we do not possess such equipment.
- (4) There were five finance leases for the year ended 31 December 2016 for which the coverage ratio was below 1. We have obtained a joint liability guarantee from the equipment supplier and its controlling shareholder for four of these finance leases. For the remaining finance lease for which the coverage ratio was below 1, we consider the risk of default in repayment to be low because the lessor is a public hospital in the PRC. As at 31 December 2016, the aggregate outstanding balance of these five finance leases (netting off deposits from finance lease customers) was RMB33.8 million, and the aggregate value of the relevant leased assets was RMB30.1 million. In respect of these five finance leases for which the coverage ratio was below 1, we experienced an aggregate shortfall of RMB3.7 million. Notwithstanding such shortfall, we believe that the risk of us not being able to recover full payment under these five leases is low because: (i) for the lessor that is a public hospital, we consider that this lessor will be financially supported by the PRC government if required; (ii) for the other four finance leases, in addition to the joint liability guarantee, we had obtained a security deposit of RMB13.5 million from the equipment supplier, which deposit could be used to satisfy any non-payments by the lessors under finance leases that involve this equipment supplier; and (iii) through our due diligence investigations on the creditworthiness of both the equipment supplier and its controlling shareholder, we were satisfied that the guarantors have satisfactory credit history, and sufficient assets and repayment abilities, in the event that we are required to exercise the joint liability guarantee. From the start of the respective lease term and up till the Latest Practicable Date, none of the lessors for these five finance leases have defaulted in their lease payments.

Our finance lease receivables are mainly secured by the leased assets, as well as security deposits from the customers and/or suppliers. The production machinery, transportation assets and medical equipment assets are essential and commonly used for the business operations in the respective industries. They are general assets and are not specific or tailor-made to particular users. Our Directors believe that as there is a constant need for such assets, we should not have significant difficulty in selling these assets in the market. In addition, for 114 out of our 219 subsisting finance leases as at 31 December 2016, if the customer defaults on its lease payments, the equipment supplier shall be liable for any outstanding lease payments or to buy-back the leased assets. Our Directors believe that the liquidity of our leased assets is increased by such guarantee arrangement. The following table sets forth a breakdown of the value of the various types of assets used as collateral, as at 31 December 2016:

	With repurchase obligation	Without repurchase obligation	
Types of leased assets	Value	Value	Total value
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Production machinery ⁽¹⁾	136.96	1,093.92	1,230.88
Transportation assets	51.14	61.46	112.60
Medical equipment assets	241.46	55.31	296.77
Total	429.56	1,210.69	1,640.25

Note:

- (1) Production machinery include machinery used in the FMCG, electronics and alternative energy industries.

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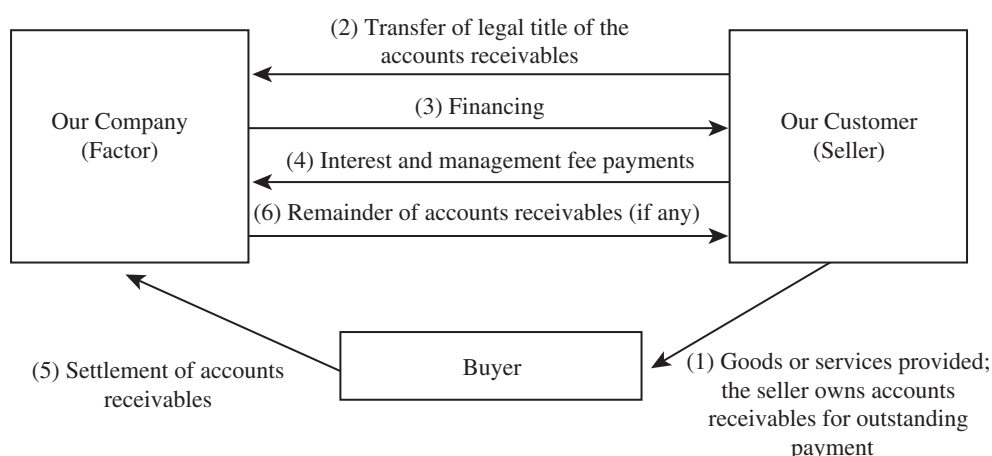
Notifiable transactions

Pursuant to Rule 19.04(1)(c) of the GEM Listing Rules, the entering into or terminating of finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of a GEM listed issuer constitutes a transaction under Chapter 19 of the GEM Listing Rules. In this regard, upon Listing, our finance leasing activities may constitute notifiable transactions under Chapter 19 of the GEM Listing Rules, which will be subject to the relevant notification, announcement and shareholders' approval requirements. If our Group enters into or terminates any finance leases after Listing, we will ensure compliance with the applicable requirements under Chapter 19 of the GEM Listing Rules, and will seek advice from external legal advisers where necessary for ensuring full compliance with the GEM Listing Rules.

(B) Factoring

In a typical factoring transaction, we (as factor) provide financing and accounts receivable management services to our customer (as seller) in return for (i) interest and management fee income payments and (ii) transfer of legal title of accounts receivable from our customer to us. After the transfer of the accounts receivable to us, we own the right to receive the outstanding amount of the accounts receivable from the buyer. We provide our customers with net financing which generally do not exceed 80% of the net value of the accounts receivable under the factoring agreement. Such accounts receivable are usually payable within one year. When the buyer (i.e. debtor of the accounts receivable) settles the accounts receivable, such sums are first applied to the settlement of the financing provided to our customer under the factoring transaction between our customer and us, and any remainder are then paid to our customer.

As such, a typical factoring transaction involves three parties, namely the factor (us), the seller (our customer) and the buyer. The following diagram illustrates the relationship among the three parties:



As at 31 December 2016, we had RMB50.1 million outstanding accounts receivable held by us as factoring assets. During the Track Record Period, the financing amount provided for each factoring transaction ranged from RMB1 million to RMB30 million.

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We generally enter into factoring transactions which are: (i) “with recourse”, which means our customer are required to provide us with a guarantee to unconditionally repurchase the accounts receivable on demand under certain circumstances (including but not limited to: a default by the buyer to pay the accounts receivable and a dispute arising between the buyer and the seller); and (ii) “with notification”, which means the buyer is notified of the factoring arrangements between our customer and us before we provide financing to our customer. As advised by our PRC Legal Advisers, under the current PRC laws and regulations as well as the terms of the factoring agreement we had entered into, there is no express restriction on the exercise of our right to notify the buyer of the factoring arrangement. During the Track Record Period, although we generally entered into factoring transactions with notification, we entered into a number of factoring transactions without notification at the request of our customers. To minimise our credit risk and avoid potential disputes in relation to the transfer of the accounts receivable, we generally enter into factoring transaction which are “with recourse” and “with notification”. We also aim to provide factoring services to SME customers for their accounts receivable with well-established entities as the buyer, such as SOEs, listed companies and private companies with good credit and stable revenue stream, to minimise our credit risk exposure. The following tables set forth a breakdown of our revenue from different types of factoring during the Track Record Period:

Revenue	Year ended 31 December					
	2014		2015		2016	
	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>
With recourse	15	5,212	33	12,288	30	10,953
Non-recourse	1	1,156	1	425	1	885
Total	16	6,368	34	12,713	31	11,838

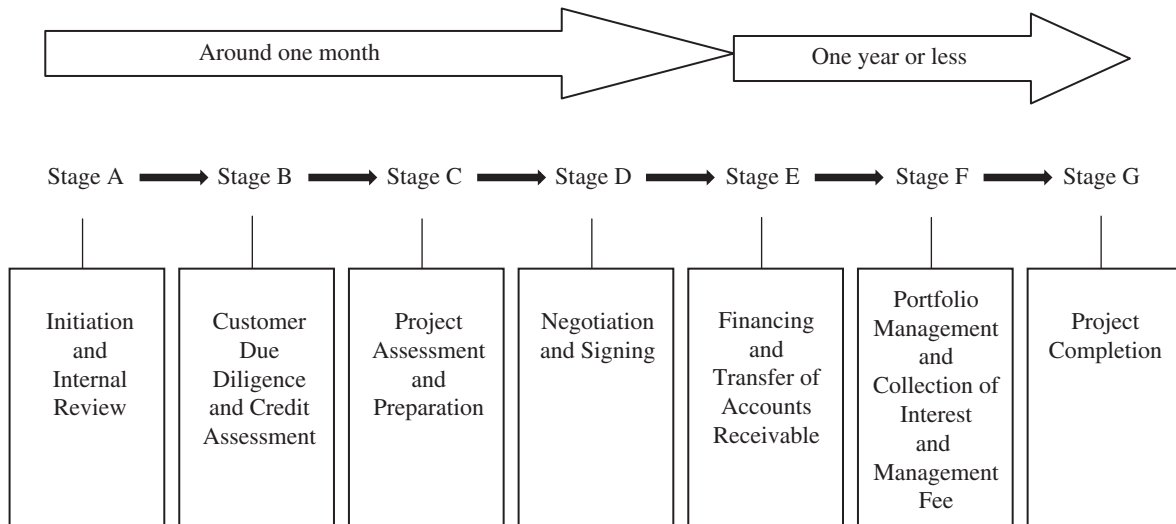
Revenue	Year ended 31 December					
	2014		2015		2016	
	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>	<i>Number of transactions</i>	<i>RMB '000</i>
With notification	13	5,562	27	10,744	25	11,088
Without notification	3	806	7	1,969	6	750
Total	16	6,368	34	12,713	31	11,838

Of the factoring transactions we entered into during the Track Record Period, two were reverse factoring (with recourse and with notification) transactions with total financing amount of RMB8.8 million. In a reverse factoring transaction, we (as factor) purchased accounts receivable from the seller in return for periodic interest payments paid to us by the buyer (in this case, the buyer in the transaction underlying the accounts receivable is our customer). After the transfer of the accounts receivable to us, we own all rights to receive the outstanding amount of the accounts receivable. When our customer settled the accounts receivable, such sums were first applied to the settlement of the financing under the factoring transaction, and any remainder were then repaid to our customer. The two reverse factoring transactions were completed in January 2016 and May 2016, respectively, and we have not entered into any other reverse factoring transactions during the Track Record Period.

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Operational Workflow

We have designed a systematic operational workflow from Stage A to Stage G for our factoring business operation. Under this workflow, various risk control measures and procedures are consistently applied to every factoring transaction, involving the active participation of different departments in our Group. The chart below sets out the typical process workflow of our factoring business operation:



Stage A: Initiation and Internal Review

Once we have received an application for factoring by a potential customer, our Business Department will process the application and collect basic information according to the requests of the potential customer as set out in the application. We will also assess the Credit Reference Center operated online by the PBOC to check if the accounts receivable have already been factored or registered as a security. Our Business Department will then conduct internal preliminary assessment and selection with the assistance from our Risk Management Department, Internal Control Department and Finance Department.

Stage B: Customer Due Diligence and Credit Assessment

We then conduct more detailed research into the background and creditworthiness of our potential customer and its buyer. Our Business and Risk Management Departments will carry out on-site customers visits to collect information on the potential customer and also carry out due diligence on its buyer and separately prepare a due diligence report and risk assessment report. Depending on the particular creditworthiness of the customer and its buyer and the industry in which they operate, we will determine the interest rates, security deposit and other key terms.

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Stage C: Project Assessment and Preparation

Our Project Approval Committee or Risk & Investment Committee will then assess the proposed factoring project in accordance with our internal Business Decision Management Manual. For transaction amounts equal to or less than RMB5 million, approval from our Project Approval Committee will be required. For transaction amounts greater than RMB5 million, approval from both our Project Approval Committee and our Risk & Investment Committee will be required. After the project is approved, the relevant legal documents, such as the factoring agreement and the notification letter, will be prepared accordingly.

Stage D: Negotiation and Signing

Our Business Manager responsible for the project will assist our Legal and Asset Management Department for agreement negotiations and the preparation and review of the relevant legal documents. Our Asset Management Department will also open a designated bank account with our customer for the receipt of the accounts receivable. If the factoring is with notification, we will send a notice executed by our customer to the buyer. After these steps have been taken, we will then enter into the factoring agreement with our customer.

Stage E: Financing and Transfer of Accounts Receivable

Our Asset Management Department will then carry out a pre-financing check and register the factoring of the accounts receivable with the Credit Reference Center operated online by the PBOC and report the transaction to MOFCOM for their records. The advancement of the financing will also be reviewed by our Finance Department, Internal Control Department, Asset Management Department and Business Department, and is subject to the approval of our deputy general manager. Once approval is received, the Finance Department will then advance the financing to our customer accordingly.

Stage F: Portfolio Management and Collection of Interest

Our staff from the Asset Management Department will then carry out the first on-site post-financing inspection within 30 days of the advancement of the financing. Our staff will continue to conduct simple on-site review of the customer's accounts every month and on-site in-depth on-site review of the customer's business conditions every quarter. Our Asset Management Department is also responsible for collecting the management fee and monthly interest, providing accounts receivable management services, and follow up on various matters relating to the financing.

Stage G: Project Completion

The factoring transaction is completed upon full repayment of the factored accounts receivable. The sum received will be used to settle the outstanding financing amount and any other fees owed to us by our customer. The remaining amount after such settlement will be paid to our customer.

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For further details on the risk management measures we have adopted, see “Risk Management and Operations”.

Summary of Key Terms of Factoring Agreements

We have standard templates for our factoring services. A summary of the key terms of our factoring agreements is set out below:

Factoring Agreement ^{Note}

- *term*: usually one year;
- *subject matter*:
 - the seller transfers the accounts receivable to us and we provide the seller with the factoring services; detailed list of the accounts receivable is set out in the appendix;
 - we have the recourse to demand the seller to repurchase any accounts receivable unpaid by the debtor and repay us the financing in full or in part and any unpaid interest and related fees owed to us by the debtor according to the conditions set out in the agreement;
 - we have the right to demand payment of the accounts receivable from the debtor; and
 - we have the right to notify the debtor of such arrangement between us and the seller;
- *title/ownership of the accounts receivable*:
 - the title/ownership will be transferred from the seller to us upon the commencement of the factoring agreement; and
 - the title/ownership will be transferred from us back to the seller upon repurchase of the accounts receivable by the seller (if applicable);
- *factoring financing*: we determine the financing amount internally based on the proportion of the factoring (which will not exceed a certain percentage level as stated in the agreement) and the size of the accounts receivable; in some cases we may allow the customer to obtain further financing (up to an agreed limit) if the accounts receivable transferred to us at the start of the term have been paid by the buyer and the customer transfers additional accounts receivable to us during the term;

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- *factoring fees*: factoring fees comprise management fee, interest, penalty and other related fees, which includes any litigation fees and insurance fees;
 - management fee is paid in full by the seller to us before we provide the seller with the financing;
 - monthly payment of interest by the seller to us; and
 - other fees are payable on demand;
- *default provision*: If the seller or the debtor fails to perform any of their obligation specified in the agreement, we shall have the right to terminate the provision of the financing to the seller, demand repayment of the financing and related fees from the seller and the buyer and enforce other rights as set out in the agreement;
- *dispute resolution*: if any dispute arises, the governing jurisdiction shall be the place where the agreement is signed; and
- *completion*: upon the end of the term or upon the end of the factoring services (whichever is later). Any early completion will require our approval.

Note: Whilst we have the option to either demand the seller to repurchase the accounts receivable or to exercise our right to demand payment of the accounts receivable from the buyer, the exercise of one of these rights by us does not affect our right to the other.

Factoring Assets and Collateral

We generally provide our factoring customers with net funding of up to 80% of the net value of the accounts receivable transferred to us under the factoring agreements. Under each factoring transaction, legal title of the accounts receivable is transferred to us and we register each factoring transaction with the online registration systems established by the PBOC and MOFCOM. During the Track Record Period, we obtained legal title to all accounts receivable transferred to us pursuant to the factoring agreements and duly registered all of them with the PBOC and MOFCOM registration systems.

For a factoring without recourse transaction, we bear all credit risk in relation to the collection of the accounts receivable and we do not have recourse to our customer if the buyer defaults on repayment of the accounts receivable. We usually require extra collateral and guarantees for these transactions. For a factoring with recourse transaction, we have the right to immediately demand our customer to unconditionally repurchase the accounts receivable if the buyer defaulted on their payment of the accounts receivable. In some cases, we may also require our customer and third parties to provide additional guarantees so that we have better protection against our credit risk. These additional guarantees include personal or joint and several guarantees from the customer's legal representative, major shareholders and related-party companies. If our customer defaults in interest payments, we will request the customer to repurchase the factored accounts receivable and commence litigation if the default continues.

(C) Advisory Services

We provide advisory services in return for an advisory service fee. Our advisory services include providing market information (such as analysis of equipment suppliers), product advice (such as selection and pricing of equipment), analysis on competition in the industry (such as research on the business scale and financial performance of our customer's competitors), solutions for optimising operational workflow, as well as financial management (such as analysis of key financial ratios) and asset management advice. Further to the various research and analyses that we conduct for our customers, we generally recommend our customers adopt solutions that aim at improving their business, operational and financial performance. Based on our experience in arranging finance leasing for our customers, we understand that our potential and existing finance leasing customers typically require advisory services in areas such as their financing and cash flow management, operational management, and operation of the leased equipment. For example, in the FMCG industry, we assist our customers to analyse the development strategies and competition in their industry. We also provide proposals on how to optimise their business and management processes. In addition, by leveraging on our experience and industry contacts, we advise customers on the selection and pricing of equipment, and we refer our customers to potential clients and equipment suppliers. Our advisory services are customised based on the specific needs and requirements of customers. Our comprehensive industry expertise (such as in FMCG, electronics, medical and alternative energy industries) accumulated during our provision of our services in other business lines, advanced financial analysis and risk management capabilities, and our in-depth understanding of customers' specific needs have enabled us to provide our customers with professional and customised advisory services, which has contributed to our revenue during the Track Record Period.

The provision of advisory services is optional to our finance leasing customers who are free to choose whether or not to enter into advisory contracts with us. The advisory services are normally provided in conjunction with the provision of our finance leasing services to the same customer. During the Track Record Period, most of our customers under our advisory services segment were also our customers under the finance leasing segment, and there were only four advisory services customers who were not our finance leasing customers. For the years ended 31 December 2014, 2015 and 2016, we received from these four customers advisory service fees (inclusive of VAT) of nil, RMB0.5 million and RMB90,000, representing nil, 2.0% and 0.5% of our total advisory service fees for each respective period. Two of these four customers did not accept the terms of our finance leasing services. The third of these four customers is a manufacturer of high-end medical equipment, whilst the last customer is engaged in the provision of construction-related advisory services. These last two customers did not need to lease equipment in the ordinary course of their business, thus they were not our finance leasing customers. Given our industry contacts in their respective industries, we are of the view, and the Sole Sponsor concurs, that both of these last two customers engaged our Group for the purpose of increasing their pool of potential customers to which they would market their medical equipment and construction-related services, respectively, and we charged an advisory service fee for such referrals. For details on the background of our finance leasing customers who engaged our Group for advisory services, see the paragraph headed "Customer Industry Analysis — Finance Leasing" in this section.

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The workflow for providing our advisory service for different customers varies based on the nature and scope of services required by the specific customer. We typically begin our work by conducting on-site due diligence interviews with our customer to understand the needs of the customer and collect information about the customer, its industry and the relevant market players. Typically, after internal discussions with each other, the heads of our Business Department and Risk Management Department then assign personnel with industry specific knowledge and experience to assemble a project team for conducting in-depth research and analysis to prepare the advice required by the customer. To provide comprehensive advice to our customer, our project team typically comprises a business manager, risk control manager and asset manager to prepare advice from different aspects for our customer: the business manager is responsible for the market analysis and client management aspects; the risk control manager is responsible for the financial and risk management aspects; and the asset manager is responsible for the supplier, secondary market and asset management aspects. The composition of our project team would depend on a number of factors, including but not limited to the scope and nature of the advisory services required by the customer, and the geographical location of the project.

As at 31 December 2016, we had a total of 52 employees (including nine employees who hold accounting qualification certificates in the PRC) from our Business Department, Risk Management Department, Asset Management Department, and Finance Department from which we form our project teams. These employees generally have industry specific knowledge, and skills related to finance and/or finance leasing, accumulated from their working experience. In particular, Mr. Weng Jianxing has more than seven years of experience in financial products and risk management. Before joining our Group in 2013, he had worked for two years in a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. Mr. Liu Bing obtained a graduation certificate in auditing in 1995, and a price appraiser qualification certificate in 2001^{Note}. In addition, he also became a non-practising member of the Chinese Institute of Certified Public Accountants of the PRC in 2011. Our Directors believe that Mr. Liu Bing's qualifications in price appraisal strengthened our ability to advise our finance leasing customers on the pricing of equipment. For details of the qualifications of Mr. Weng Jianxing and Mr. Liu Bing, see "Directors, Supervisors, Senior Management and Employees". During the Track Record Period, Mr. Weng Jianxing and Mr. Liu Bing were involved in 157 and 92 of our 291 advisory service transactions, respectively.

Depending on the complexity of the project, the project team may conduct further on-site interviews and meetings with the customer to conduct further research, discuss our findings and provide advice to improve the customer's operations. In some cases, we may produce a written report of our detailed findings and recommended solutions for our customer's reference. We may also arrange meetings between our customer and other stakeholders (such as suppliers and potential clients) to provide our customer with opportunities to lower their costs, improve their production efficiency, or attract new business.

Note: As advised by our PRC Legal Advisers, pursuant to the Decision of the State Council on Cancelling a Group of Professional Qualification Licensing and Certification Items (《國務院關於取消一批職業資格許可和認定事項的決定》) (Guo Fa [2016] No. 35), the PRC government abolished the licensing and certification of price appraiser professional qualification in June 2016.

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We generally charge our advisory service fees based on the scope and nature of the advisory services required by our customer, the length of services to be provided, the expected benefit we can bring to our customer, our business relationship with the customer, and the importance of the customer to our long-term business strategy. Although the advisory services are normally provided in conjunction with our finance leasing services to the same customer, the level of advisory services required by customers differ in accordance with their specific needs and the sophistication of their business and operations, and hence the scope of services we provide varies from customer to customer and are specifically agreed with each customer.

We believe that our advisory services, which are tailored to the specific needs of our customers, are unique from our peers and competitors. During the Track Record Period, our advisory service fees by contract ranged from RMB1,500 to RMB7.1 million. The wide price range for our advisory services during the Track Record Period was mainly due to the variation in the volume and nature of services provided. For example, our smallest customer by advisory fee during the Track Record Period was engaged in the sale of furniture. This customer wanted to lease a commercial vehicle for its business, and our advisory services was solely limited to referring it to potential vehicle suppliers without having to prepare a written report, so we charged a relatively low advisory fee. Our largest customer by advisory fee during the Track Record Period was engaged in the alternative energy industry. Leveraging on our substantial experience and expertise in the alternative energy industry, our advisory services for this customer included conducting an industry analysis and feasibility study of the renewable energy industry in the PRC, which culminated in a written report of our detailed findings and recommended solutions for this customer's reference.

Although there is no direct correlation between our advisory service fees and the total amount of the relevant finance lease (if any) for each customer, for comparison purpose only, the amount of our advisory service fees for our finance leasing customers during the Track Record Period typically ranged from 2.0% to 6.0% of the total amount of the relevant finance lease. According to CIC, notwithstanding that the advisory services provided by finance leasing companies in the PRC are usually unique and customised, finance leasing customers in the PRC, who also procure advisory services from the same service provider, will typically pay between 0.5% and 6.0%, and less than 10.0% in most cases, of the expected amount of the finance lease as advisory service fees. Given that the amount of our advisory service fees compared against the amount of the relevant finance leases is consistent with our industry peers, and having regard to the scope and nature of the advisory services provided to our customers, we are of the view, and the Sole Sponsor concurs, that the amount and bases of advisory service fees that we charged during the Track Record Period were reasonable and in line with industry practice.

As advised by our PRC Legal Advisers, there are currently no specific PRC laws and regulations which regulate the provision of our advisory services, and such business is not prohibited by the current PRC laws and regulations.

ASSET QUALITY/POLICY FOR PROVISION OF IMPAIRMENT

We measure and monitor the asset quality of our finance lease and factoring receivables portfolio throughout the term of the lease. For further details of our asset quality management, please see "Risk Management and Operations — Credit Risk Management — Portfolio Management and Monitoring". We classify our finance lease and factoring receivables using a five-category classification system, which is modelled with reference to (i) the statutory requirements relating to asset quality classification promulgated by the CBRC for finance lease companies and other financial institutions

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subject to its regulation and (ii) the asset quality classification system used by comparable finance lease and factoring companies in our industry. While there are no accounting standards that directly relate to our finance lease and factoring receivables classification system, our provisioning policies for financial assets are governed by relevant accounting standards and guidelines. For further details, see “Financial Information — Key Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy”.

Classification criteria

In determining the classification of our finance lease receivables portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of lease assets. These criteria include (i) the customer’s ability to make payments, (ii) the customer’s willingness to make payments, (iii) the customer’s payment history, (iv) the value of the collateral and guarantees provided, and (v) the profitability of the leasing equipment (for our finance lease business only). These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our finance lease receivables. Our finance lease receivables classification criteria focus on a number of factors, to the extent applicable. Our lease classifications include:

Pass. There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full and/or on a timely basis. There is no reason whatsoever to suspect that the finance lease receivable will be impaired.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, such as if lease payments have been overdue for three months or more and the financial position of the lessee has worsened or its net cash flow has become negative, then the finance lease receivable for this lease contract should be classified as special mention or lower.

Substandard. The lessee’s ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any guarantees underlying the lease contract. We take into account other factors, for example, if lease payments have been overdue for over six months, then the finance lease receivable for this lease contract should be classified as substandard or lower.

Doubtful. The lessee’s ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease contract. We take into account other factors, for example, if lease payments have been overdue for more than one year, the finance lease receivable for this lease contract shall be classified as doubtful or lower.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. We take into account other factors, for example, if lease payments have been overdue for more than two years, the finance lease receivable for this lease contract shall be classified as a loss.

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Distribution of finance lease receivables by classification

The following tables set forth the asset quality of our finance lease receivables and movements in non-performing assets.

Distribution of Finance Lease Receivables by Asset Quality

	As at 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Pass	515,850	100.0	612,306	91.7	827,851	94.7
Special mention	—	—	—	—	—	—
Substandard	—	—	55,622	8.3	46,251	5.3
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Present value of minimum lease payment	515,850	100.0	667,928	100.0	874,102	100.0
Non-performing assets⁽¹⁾/						
Non-performing assets						
ratio⁽²⁾	—	—	55,622	8.3	46,251	5.3

⁽¹⁾ Non-performing assets are defined as those finance lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of finance lease receivables that can be reliably estimated. These finance lease receivables are classified as “substandard”, “doubtful” or “loss”.

⁽²⁾ The non-performing assets ratio is the percentage of non-performing assets over present value of minimum lease payment as of the applicable date.

Movements in Non-Performing Assets

	Year ended 31 December		
	2014	2015	2016
	RMB' 000	RMB' 000	RMB' 000
Opening balance	—	—	55,622
Downgrades ⁽¹⁾	—	55,622	28,593
Upgrades	—	—	—
Recoveries	—	—	(348)
Transfer-out	—	—	(37,616)
Write-offs	—	—	—
Closing balance	—	55,622	46,251

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- ⁽¹⁾ Represents downgrades of finance lease receivables classified as pass or special mention at the end of the previous year and finance lease receivables newly re-classified in the current year to non-performing categories.

For our provisioning policy for bad and doubtful receivables, please see “Financial Information — Critical Accounting Policies, Estimates and Judgments — Key Source of Estimates Uncertainty — Provision for Bad and Doubtful Receivables” and “Financial Information — Key Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy”.

The non-performing finance lease receivables assets we had during the Track Record Period all arose from finance leasing transactions entered into before 31 December 2014, when we were in a relatively early stage of business development for our finance leasing segment and were still refining our risk management procedures. We have continued to improve our risk management policies and procedures and, as a result of our efforts, as at the Latest Practicable Date, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil.

We entered into a sale and purchase agreement with an Independent Third Party in May 2016 whereby we have agreed to sell five non-performing finance lease receivables assets. These five non-performing finance leases were entered into before 31 December 2014. Prior to the sale, the aggregate present value of the minimum lease payment of the these five non-performing finance lease receivables assets amounted to RMB37.6 million, and the corresponding provision and security deposits received for these assets amounted to RMB7.5 million and RMB6.5 million, respectively. In consideration of the sale of these assets, we received from the purchaser RMB27.6 million (inclusive of the VAT of RMB4.0 million). After taking into account our provision and the security deposits received, we did not record any gains or losses in connection with the transfer of these five non-performing finance lease receivables assets.

To the best knowledge and belief of our Directors: (i) the purchaser is a limited liability company incorporated in the PRC with a registered share capital of RMB200.0 million; (ii) its registered scope of business includes investment management and asset management; and (iii) the purchase of non-performing assets is part of the ordinary course of business of the purchaser. As advised by our PRC Legal Advisers, the sale and purchase agreement is valid and enforceable under the current PRC laws and regulations, and the execution and performance of the sale and purchase agreement is not prohibited by the registered scope of business of the purchaser.

The salient terms of the sale and purchase agreement are summarised below:

- (i) we transferred to the purchaser all of our rights and obligations under the respective finance lease agreements, including our rights to the lease receivables and lease equipment but excluding the security deposits received;
- (ii) the transfers were without recourse against us;
- (iii) the consideration for the transfers amounts to RMB27.6 million; and
- (iv) within 10 business days of our receipt of the consideration, we shall deliver to the purchaser all of the legal documents evidencing the ownership of the lease equipment.

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The relevant lease assets consist of finance leases for customers in the steel-rolling and paper packaging industries, which have experienced industry-wide deteriorating operating conditions in 2015. According to the CIC Report, the annual growth rate of production volume of stainless steel in the PRC has decreased from 18.0% in 2013 to negative 0.6% in 2015, and the price of containerboard, which is a major material in the paper packing industry, has decreased from RMB3,570 per ton in 2013 to RMB3,160 per ton in 2015. We sold the relevant assets because we wanted to cease providing finance lease services to customers in the steel-rolling and paper packaging industries and concentrate our focus on our targeted industries. The sale was completed on 27 June 2016 and we ceased to have any interest in the lease assets after completion. As at 31 May 2016 and 30 June 2016, our non-performing assets ratio for finance lease receivables were 8.9% and 3.1%, respectively.

The following table sets forth the details of our non-performing assets for our finance leases as at 31 December 2015 and 2016, respectively. We did not have any non-performing assets for our finance leases as at 31 December 2014.

	As at 31 December 2015	As at 31 December 2016
Number of non-performing loan accounts	11	14
	<i>(RMB million)</i>	
Present value of minimum lease payments	55.6	46.3
Total value of tangible security ⁽¹⁾	102.3	109.2
<i>Value of leased asset</i>	91.5	99.3
<i>Value of security deposits</i>	10.8	9.9
Value of guarantees ⁽²⁾	66.7	51.4
Shortfall ⁽³⁾		
<i>Without guarantees</i>	Nil	Nil
<i>With guarantees</i>	Nil	Nil

Notes:

- (1) The aggregate value of: (i) the leased asset; and (ii) security deposits.
- (2) Given that the guarantees cover the aggregate sum of any unpaid principal and interest for the relevant finance leases, the value of the guarantees is calculated based on the outstanding finance lease receivables before netting off deposits from finance lease customers.
- (3) This refers to the aggregate of the amount (if any) where the value of security (with or without guarantees, as the case may be) in respect of our individual non-performing assets for our finance leases is less than the respective present value of the minimum lease payments of each of such finance leases.

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During the Track Record Period, there was no shortfall in the total value of tangible security in respect of our non-performing assets for our finance leases as compared to the corresponding present value of minimum lease payments, even on an individual loan account basis. Furthermore, the respective non-performing assets were also secured by guarantees, and the guarantors include the controlling shareholders, shareholders, legal representatives and/or their respective associates, of the respective customers, as well as a few independent third parties. We have performed due diligence investigations on the creditworthiness of the guarantors, and issued risk assessment reports indicating that the guarantors have satisfactory credit history and repayment abilities. Our Directors believe that obtaining tangible security and guarantees helped mitigate our credit risk under such non-performing assets. We will continue to monitor these non-performing assets, and will make additional provision for such assets in the future if required (for example, if the business operation of the finance leasing customer deteriorates).

For our accounts receivable portfolio under our factoring business, we measure and monitor the asset quality of our accounts receivable portfolio similar to that for our finance lease receivables portfolio. For further details, see “Risk Management and Operations — Credit Risk Management — Portfolio Management and Monitoring”. We also adopt the five-category classification system to assess and classify our factoring receivables. For further details, see “Financial Information — Key Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy”.

As at 31 December 2014, 2015 and 2016, non-performing factoring receivables amounted to nil, RMB16.9 million and RMB6.8 million, respectively, while the non-performing assets ratio for factoring receivables were nil, 12.9% and 13.1%, respectively. The non-performing factoring receivables we had during the Track Record Period all arose from factoring transactions we had entered into prior to 30 June 2015, when we were in a relatively early stage of business development for our factoring segment and were still refining our risk management procedures. We have continued to improve our risk management policies and procedures and, as a result of our efforts, as at the Latest Practicable Date, our non-performing assets for all factoring transactions entered into after 30 June 2015 amounted to nil.

We entered into a sale and purchase agreement with an Independent Third Party in May 2016 whereby we have agreed to sell one non-performing factoring receivable asset in relation to tuition fees. The factoring transaction for this non-performing factoring receivable asset was entered into before 30 June 2015. Prior to the sale, the present value of this non-performing factoring receivable asset amounted to RMB10.0 million, and our provision against this asset amounted to RMB1.0 million. In consideration of the sale of this asset, we received from the purchaser RMB9.0 million. After taking into account our provision, we did not record any gains or losses in connection with the transfer of this non-performing factoring receivable asset. The purchaser is the same limited liability company which purchased our five non-performing finance lease receivables assets described above. Other than the consideration, the salient terms of the sale and purchase agreement for our one non-performing factoring receivable asset are substantially similar to the terms of the sale and purchase agreement for our five non-performing finance lease receivables assets. We sold the relevant asset because we wanted to cease providing factoring services to customers in the education industry and concentrate our focus on our targeted industries. The sale was completed on 27 June 2016 and we

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ceased to have any interest in the factoring receivable asset after completion. As at 31 May 2016 and 30 June 2016, our non-performing assets ratio for factoring receivables were 14.7% and 11.6%, respectively.

The following table sets forth the details of our non-performing assets for our factoring transactions as at 31 December 2015 and 2016, respectively. We did not have any non-performing assets for our factoring transactions as at 31 December 2014.

	As at 31 December 2015	As at 31 December 2016
Number of non-performing loan accounts	3	2
	<i>(RMB million)</i>	
Value of factoring receivable asset	16.9	6.8
Total value of tangible security ⁽¹⁾	189.2	39.2
<i>Value of accounts receivables</i>	173.0	23.0
<i>Value of other collaterals</i>	16.2	16.2
Value of guarantees ⁽²⁾	16.9	6.8
Shortfall ⁽³⁾		
<i>Without guarantees</i>	Nil	Nil
<i>With guarantees</i>	Nil	Nil

Notes:

- (1) The aggregate value of: (i) the accounts receivables; and (ii) other collaterals.
- (2) The value of the guarantees is calculated based on the aggregate sum of any unpaid principal and interest for the relevant factoring transaction.
- (3) This refers to the aggregate of the amount (if any) where the value of security (with or without guarantees, as the case may be) in respect of our individual non-performing assets for our factoring transactions is less than the respective value of each of such factoring receivable assets.

During the Track Record Period, there was no shortfall in the total value of tangible security in respect of our non-performing assets for our factoring transactions as compared to the corresponding value of our factoring receivable assets, even on an individual loan account basis. Furthermore, the respective non-performing assets were also secured by guarantees, and the guarantors include the controlling shareholders, shareholders, legal representatives and/or their respective associates, of the respective customers. We have performed due diligence investigations on the creditworthiness of the guarantors, and issued risk assessment reports indicating that the guarantors have satisfactory credit history and repayment abilities. Our Directors believe that obtaining tangible security and guarantees helped to mitigate our credit risk under such non-performing assets. We will continue to monitor these non-performing assets, and will make additional provision for such assets in the future if required (for example, if the business operation of the factoring customer and/or the underlying debtor deteriorates).

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PRICING POLICY

We determine the price of our services based on market demand, pricing power, and value added to customers. We also take into consideration whether our services are provided as part of an integrated service package in determining our pricing. The yield on our lease assets is determined by prevailing market rates, our risk premium through the assessment of the credit risk involved and the liquidity of the leased assets, and our funding cost. Factors which affect the risk premium for pricing our finance leases include the customer's industry and reputation, existing debt position, operating cash flows and the projected cash flows to be generated by the leased equipment. All of our finance leases adopt a fixed interest rate. We also consider overall return based on the range of services we provide to the same customer. For the years ended 31 December 2014, 2015 and 2016, average yield on our finance lease receivables was 8.1%, 6.7% and 6.5%, respectively.

We determine the price for our factoring services based on the prevailing market rates, the credit rating of the customer and the buyer, and our funding cost. For the years ended 31 December 2014, 2015 and 2016, average yield on our factoring receivables was 15.2%, 12.8% and 14.7%, respectively.

Our advisory fees are determined primarily based on (i) the scope and nature of the advisory services required by our customer; (ii) the length of services to be provided; (iii) the expected benefit we can bring to our customer; (iv) our business relationship with the customers and (v) the importance of the customers to our long-term business strategy. Therefore, we do not have a fixed fee rate for charging our customers for our advisory services and price our services based on arm's length negotiations with our customers on a case-by-case basis. During the Track Record Period, our advisory service fees (inclusive of VAT) by contract ranged from RMB1,500 to RMB7.1 million and approximately 91.8%, 5.8% and 2.4% of our advisory contracts in terms of number of contracts were priced at below RMB0.5 million, RMB0.5-1 million and above RMB1 million, respectively.

The following table sets out a breakdown of our advisory service fees (inclusive of VAT) by (i) number of transactions; and (ii) fee range (inclusive of VAT), during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Number of transactions	Advisory service fee	Number of transactions	Advisory service fee	Number of transactions	Advisory service fee
		RMB'000		RMB'000		RMB'000
Below RMB0.5 million	107	15,543	65	10,449	95	9,752
RMB0.5-1 million	10	6,401	3	1,778	4	2,727
RMB1 million	—	—	4	11,655	3	7,147
Total	117	21,944	72	23,882	102	19,626

As advised by our PRC Legal Advisers, there is currently no restriction on the maximum or minimum advisory service fees charged by us to our customers under the relevant PRC laws and regulations.

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SALES AND MARKETING

We conduct sales and marketing principally through our offices in Shenzhen, Tianjin and Jinhua, the PRC, by leveraging the industry expertise and local contacts of the respective Business Department of our Company and of Fullin Factoring. We organise our internal sales team by industry divisions, focusing on a number of strategic industries. We would regularly contact our existing and potential customers to understand their financing needs. We would also contact our finance leasing customers to keep abreast of their business operations from time to time, so that we may offer our relevant advisory services to them. For our finance leasing business, we also contact major equipment suppliers to explore opportunities to provide financing for their customers. As at the Latest Practicable Date, the Business Department of our Company and of Fullin Factoring had 21 and three employees, respectively.

The following table illustrates the geographical spread in terms of the number of our customers in the following regions in the PRC as at the Latest Practicable Date:

	Region	FMCG	Electronics	Medical	Alternative Energy	Transportation	Others ⁽¹⁾
Finance Leasing	Central China ⁽²⁾	5	3	25	—	9	—
	East China ⁽³⁾	12	3	12	1	—	—
	North China ⁽⁴⁾	1	—	5	—	3	1
	Northeast China ⁽⁵⁾	—	—	4	—	1	—
	Northwest China ⁽⁶⁾	—	—	6	—	—	—
	South China ⁽⁷⁾	9	10	2	5	18	8
	Southwest China ⁽⁸⁾	2	—	18	—	—	1
	Total	29	16	72	6	31	10

Notes:

(1) Other industries include construction, stainless steel and machinery subcontracting work.

(2) Central China includes Hubei, Hunan, Henan and Jiangxi.

(3) East China includes Shanghai, Shandong, Jiangsu, Anhui, Zhejiang and Fujian.

(4) North China includes Beijing, Hebei and Shanxi.

(5) Northeast China includes Liaoning, Jilin and Heilongjiang.

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- (6) Northwest China includes Ningxia, Shaanxi and Gansu.
- (7) South China includes Guangdong and Guangxi.
- (8) Southwest China includes Sichuan, Yunnan, Guizhou and Chongqing.

	Region	Manufacturing	Medical	Wholesale and retail
Factoring	North China ⁽¹⁾	1	2	1
	East China ⁽²⁾	6	4	—
Total		7	6	1

Notes:

- (1) North China comprises Beijing and Tianjin.
- (2) East China comprises Zhejiang.

We have combined our sales and marketing efforts with the following activities:

- participating in industry exhibitions involving various industries such as medical, lithium batteries, food and beverages, electronics, and machinery, for our finance leasing business; and
- being a member of, and liaising with, different industry associations, for our factoring business.

In addition, we have entered into framework cooperation agreements with external parties, including equipment suppliers, as well as other financial services companies. Pursuant to these framework cooperation agreements, we work closely with such external parties to co-develop and expand our customer relationships. As at 31 December 2016, we have entered into five and three framework cooperation agreements for our finance leasing business and factoring business, respectively.

CUSTOMER INDUSTRY ANALYSIS

During the Track Record Period, our strategic industries in respect of our finance leasing business comprise FMCG, electronics, medical, alternative energy and transportation, while our strategic industries in respect of our factoring business were property leasing, manufacturing and medical. During the Track Record Period, most of our advisory services customers were also our finance leasing customers. For details on our advisory services customers who were not our finance leasing customers, see the paragraph headed “Our Business Model and Source of Revenue — (C) Advisory Services” in this section.

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Finance Leasing

The following table sets out a breakdown of our finance lease income by industry during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
FMCG	12,203	44.3	15,899	43.9	10,420	23.0
Electronics	10,533	38.2	8,980	24.8	4,691	10.3
Medical	559	2.0	4,247	11.7	12,533	27.6
Alternative Energy	2,054	7.5	4,180	11.5	12,730	28.0
Transportation	1,317	4.8	2,285	6.3	2,335	5.1
Others ⁽¹⁾	883	3.2	615	1.8	2,687	5.9
Total	27,549	100.0	36,206	100.0	45,396	100.0

Notes:

(1) Includes the construction industry.

The following table sets out the range of, and average, financing amount for each industry during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Range ⁽¹⁾ of financing amount	Average financing amount	Range ⁽¹⁾ of financing amount	Average financing amount	Range ⁽¹⁾ of financing amount	Average financing amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FMCG	540-27,542	6,384	1,750-16,620	7,083	2,076-100,000	17,548
Electronics	259-21,176	4,488	1,100-13,440	6,431	944-18,800	7,016
Medical	500-5,019	2,842	1,300-12,397	3,671	1,297-20,000	3,674
Alternative Energy	2,120-25,571	11,359	5,610-80,000	32,127	3,000-31,768	14,625
Transportation	2,040-8,900	5,535	860-6,845	3,641	50-17,066	1,934
Others ⁽²⁾	1,300-12,800	5,910	615-2,605	1,633	658-80,000	14,079

Notes:

(1) The range indicates the lowest and highest, respectively, financing amounts of finance leases for each industry.

(2) Includes the construction industry.

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The following table sets out the range of, and average, interest rate charged under finance leases for each industry during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Range of	Average	Range of	Average	Range of	Average
	interest rate	interest rate ⁽¹⁾	interest rate	interest rate ⁽¹⁾	interest rate	interest rate ⁽¹⁾
	%	%	%	%	%	%
FMCG	6.5-12.3	8.7	4.9-8.8	7.4	7.6-10.5	8.2
Electronics	5.8-12.5	8.6	2.0-8.1	6.1	3.5-11.4	6.8
Medical	3.4-10.8	8.5	0.7-13.0	9.7	6.7-11.4	9.7
Alternative Energy	8.3-12.1	9.3	4.3-8.6	6.9	4.9-11.4	6.8
Transportation	7.5-11.2	8.7	5.2-9.3	6.5	6.2-17.6	8.2
Others ⁽²⁾	5.6-11.5	8.3	4.7-9.2	6.4	6.2-10.9	8.1

Notes:

(1) The average interest rate is weighted arithmetic mean, with the financing amount being the respective weights.

(2) Includes the construction industry.

The following table sets out the number of customers and number of subsisting finance leases for each industry as at the dates indicated:

	As at 31 December					
	2014		2015		2016	
	Number of	Number of	Number of	Number of	Number of	Number of
	customers	subsisting leases	customers	subsisting leases	customers	subsisting leases
FMCG	48	59	54	71	38	51
Electronics	46	58	40	55	15	21
Medical	13	14	35	41	70	78
Alternative Energy	7	7	10	14	7	15
Transportation	6	9	8	14	24	37
Others ⁽¹⁾	10	10	10	10	12	17
Total	130	157	157	205	166	219

Note:

(1) Includes the construction industry.

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FMCG

We started to provide our finance leasing services to the FMCG industry in 2013. Our leased equipment includes bakery equipment, food and beverage packing equipment as well food production equipment. We believe that the improved consumer and dining habits in the PRC due to increasing disposable income and urbanisation rate, deeper penetration of online retail distribution channels, and quick expansion of the logistics industry, have contributed to the stable growth of the FMCG industry in the PRC.

Electronics

We undertook our first finance leasing project in 2013, which involved a customer in the electronics industry. We provide financial leasing services to manufacturers of consumer electronics in the PRC. Our leased electronics equipment includes computer-controlled cutting machines and semi-conductor equipment. We believe that the rapid growth in demand for consumer electronics products, such as smartphones and home appliances, increasing launches of new products due to rapid technological developments, and increasing need for SMEs to upgrade their electronics equipment, have supported the growth of the electronics industry in the PRC.

Medical

We entered the medical industry in 2014 for our finance leasing business. We provide finance leasing services primarily to private hospitals in the PRC. Our medical equipment includes computerised tomography scan equipment, magnetic resonance imaging equipment and dialysis equipment. According to the CIC Report, the medical equipment finance leasing industry is a promising downstream industry for finance leasing in the PRC because the aging population and growing number of private medical institutions, coupled with the government's support of actively encouraging Public-Private-Partnership systems between local government and private capital in the medical industry, are likely to drive the demand for healthcare equipment. In addition, the fixed assets investment of the medical industry had increased from RMB261.5 billion in 2011 to RMB651.5 billion in 2016, and is expected to further reach RMB974.3 billion in 2021. Going forward, the medical industry remains one of our key target industries.

Our finance lease income from the medical industry increased from RMB4.2 million for the year ended 31 December 2015 to RMB12.5 million for the year ended 31 December 2016. As at 31 December 2016, we had 70 customers in the medical industry for our finance leasing business.

We frequently liaise with industry experts, and retain an external expert as our regular adviser. We maintain frequent contact with major medical equipment manufacturers and trading companies in order to gain first-hand information regarding industry and regulatory trends affecting the medical industry.

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Alternative Energy

We began to provide our finance leasing services to the alternative energy industry in 2013. Our leased equipment includes equipment for the manufacturing of lithium batteries and photovoltaic systems. According to the CIC Report, the renewable energy sector (which we consider to be part of the alternative energy industry) is another promising downstream industry for finance leasing in the PRC, and the total installed capacity of renewable energy in the PRC is projected to increase from 533.8 million kilowatt in 2016 to 738.0 million kilowatt in 2021, representing a CAGR of 6.7%. We believe that the PRC government's supportive policies such as the provision of a large amount of subsidies for the alternative energy industry, the urgent need to reduce air pollution and to conserve conventional energy resources, and the relatively low penetration rate of alternative energy plants in the PRC compared to developed countries, will continue as the key market drivers of the alternative energy industry in the PRC. We intend to further develop our finance leasing business in, among others, the alternative energy industry.

Our finance lease income from the alternative energy industry increased from RMB4.2 million for the year ended 31 December 2015 to RMB12.7 million for the year ended 31 December 2016.

Transportation

We started to provide our finance leasing services to the transportation industry in 2013. Our leased equipment includes equipment for manufacturing car components. According to the CIC Report, the car manufacturing industry in the PRC is expected to be driven by the increasing income level and growing consumption of private cars in the PRC over the next few years, and fixed assets investment of car manufacturing is expected to increase from RMB1,189.5 billion in 2016 to RMB1,697.7 billion in 2021. We believe that the market drivers for the transportation industry in the PRC mainly include the rapid pace of urbanisation, the government's support for the development of domestically-manufactured green vehicles, and the increasing number of mergers and acquisitions between domestic and foreign automobile manufacturing companies.

Factoring

The following table sets out a breakdown of our factoring income by industry during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Property leasing	934	14.7	5,166	40.7	4,987	42.1
Manufacturing	2,424	38.1	2,850	22.4	3,549	30.0
Medical	—	—	639	5.0	1,365	11.5
Wholesale and retail	1,174	18.4	1,580	12.4	457	3.9
Education	1,836	28.8	2,478	19.5	1,480	12.5
Total	6,368	100.0	12,713	100.0	11,838	100.0

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Property Leasing

The property leasing industry was the largest strategic industry for our factoring business as at 31 December 2016. Within this industry, we mainly provide factoring services for the rent payments in respect of office buildings located in the first-tier cities as well as some of the second-tier cities in the PRC. Our Directors believe that the national policies support the development of the property leasing market in the PRC, and the market demand for office leases has been continuously growing, especially in the first-tier cities in the PRC.

Our factoring income from the property leasing industry decreased slightly from RMB5.2 million for the year ended 31 December 2015 to RMB5.0 million for the year ended 31 December 2016. Our revenue from this industry represented approximately 42.1% of our revenue from our factoring business for the year ended 31 December 2016.

Manufacturing

We entered the manufacturing industry in 2014 for our factoring business. Our customers in this industry are principally the upstream suppliers of manufacturing businesses involving automotive and medical products. Our Directors believe that the manufacturing industry remains an important aspect of the national policies in the PRC.

Our factoring income from the manufacturing industry increased from RMB2.9 million for the year ended 31 December 2015 to RMB3.5 million for the year ended 31 December 2016. Our factoring income from this industry represented approximately 30.0% of our revenue from our factoring business for the year ended 31 December 2016.

Medical

We entered the medical industry in 2015 for our factoring business. Our customers in this industry are principally private hospitals and private clinics. We focus on providing factoring services for: (i) the accounts payable by medical insurance funds in the PRC to private hospitals and private clinics; and (ii) the accounts receivable by private hospitals and private clinics in the provision of their medical services.

Our factoring income from the medical industry increased from RMB0.6 million for the year ended 31 December 2015 to RMB1.4 million for the year ended 31 December 2016. Our factoring income from this industry represented approximately 11.5% of our revenue from our factoring business for the year ended 31 December 2016.

Advisory Services

The following table sets out a breakdown of our advisory services revenue by industry, and the finance lease income derived from our finance leasing customers who also procured our advisory services, during the Track Record Period:

	Year ended 31 December											
	2014				2015				2016			
	Advisory services		Finance lease income ⁽¹⁾		Advisory services		Finance lease income ⁽¹⁾		Advisory services		Finance lease income ⁽¹⁾	
	Number of transactions	RMB'000	%	RMB'000	Number of transactions	RMB'000	%	RMB'000	Number of transactions	RMB'000	%	RMB'000
FMCG	51	8,783	47.8	12,203	16	3,561	16.7	15,644	12	4,247	22.2	10,031
Electronics	30	4,112	22.4	10,533	10	1,897	8.9	9,235	12	2,230	11.7	5,081
Medical	14	1,162	6.3	559	28	3,155	14.8	4,242	38	3,426	17.9	11,886
Alternative Energy	5	1,292	7.0	2,054	8	11,672	54.6	4,180	9	3,015	15.8	12,730
Transportation	8	1,770	9.7	1,317	6	545	2.5	2,285	18	1,959	10.2	2,234
Others ⁽²⁾	9	1,240	6.8	883	4	531 ⁽³⁾	2.5	615	13	4,261 ⁽³⁾	22.3	2,687
Total	117	18,359	100.0	27,549	72	21,361	100.0	36,201	102	19,138	100.0	44,649

Notes:

- (1) The amount included all finance lease income recognised during each year of the Track Record Period, from our customers who procured our advisory services in conjunction with our finance leasing services pursuant to agreements that were entered into prior to, or during, the Track Record Period.
- (2) Includes the construction industry.
- (3) For the years ended 31 December 2015 and 2016, there were three and three advisory service transactions, respectively, that involved customers who did not procure our finance leasing services. These transactions accounted for an aggregate advisory service fee income of approximately RMB461,000 and RMB85,000 for the years ended 31 December 2015 and 2016, respectively.

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OUR CUSTOMERS

Our customer base comprises mainly SMEs in a number of strategic industries. See the paragraph headed “Customer Industry Analysis” in this section for details of our strategic industries. As at 31 December 2014, 2015 and 2016, our total number of finance leasing customers was 130, 157 and 166, while our total number of factoring customers was 14, 29 and 24, respectively. For the years ended 31 December 2014, 2015 and 2016, we received advisory service fees from 106, 54 and 82 customers, respectively.

For the years ended 31 December 2014, 2015 and 2016, revenue (before business tax and surcharge) attributable to our five largest customers accounted for less than 30.0% of our total revenue for the respective periods.

None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5.0% of the Shares as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

OUR LENDERS AND FUNDING CAPABILITIES

We conduct regular capital planning, reporting and forecasting through our capital budgeting system, and thereafter formulate appropriate funding plans which seek to mitigate our exposure to liquidity and interest rate risk. We have established a prudent risk management system to manage our credit risk, liquidity risk and interest rate risk. See “Risk Management and Operations” for details. In addition, we have prudently managed our balance sheet by maintaining our gearing ratios at a level that we consider to be reasonable. See “Financial Information — Key Financial Ratios — Gearing Ratio” for details on our gearing ratios during the Track Record Period. We have been able to secure sufficient equity and debt financing to match the growth of our business operations.

During the Track Record Period, we principally relied on the following sources of funding: (i) bank and other borrowings; and (ii) amounts due to an intermediate holding company, to operate our business.

The following table sets forth the amounts and percentages of our Group’s total external funding by source as at the dates indicated:

	As at 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Bank and other borrowings	314,000	92.6	101,257	23.9	500,916	100.0
Amounts due to an intermediate holding company	25,090	7.4	322,378	76.1	—	—
	<u>339,090</u>	<u>100.0</u>	<u>423,635</u>	<u>100.0</u>	<u>500,916</u>	<u>100.0</u>

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Bank and other borrowings

During the Track Record Period, we had established relationships with commercial banks in Hong Kong and the PRC. As at 31 December 2014, 2015 and 2016, our bank borrowings accounted for 100.0%, 98.1% and 100.0% of our bank and other borrowings, respectively. Such interest-bearing bank borrowings bore fixed interest rates ranging from 4.25% to 6.63% per annum. For the years ended 31 December 2014, 2015 and 2016, we incurred RMB13.2 million, RMB14.8 million and RMB6.4 million, respectively, on interest expenses for bank borrowings. Some of these bank borrowings were guaranteed by Shanshan, which is a Controlling Shareholder. For further details on our interest-bearing bank borrowings, see “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Interest-Bearing Bank and Other Borrowings”. As at 31 December 2016, we had unutilised banking facilities of RMB203.5 million.

We had also obtained RMB18.0 million in financing from an Independent Third Party by pledging RMB27.5 million of our finance lease receivables in February 2015.

In September 2016, we have obtained an entrusted loan of RMB300.0 million with a final interest rate of 5.7% per annum through a state-owned commercial bank in the PRC. Our Controlling Shareholders have not provided any guarantee for this loan. To the best knowledge and belief of our Directors, the counterparty to the entrusted loan agreement is an Independent Third Party that is a limited liability company incorporated in the PRC with a registered share capital of RMB4.3 billion and which share capital is majority-owned by state-owned enterprises in the PRC, and the registered scope of business of such company includes asset management, securities brokerage and sales of investment funds. Before entering into the entrusted loan agreement, we did not have any relationship, business or otherwise, with such counterparty, and we were not acquainted with the counterparty. The bank arranged and administered the entrusted loan. We did not select, or communicate directly with, the counterparty to the entrusted loan agreement. Our Directors believe that the arrangement of entrusted loans is within the ordinary course of business of the bank. We have utilised the loan to repay part of the amount due to Shanshan, which is a Controlling Shareholder. In addition, in November and December 2016, we have obtained two loans of RMB100.0 million and RMB100.0 million, respectively, at a fixed interest rate of 4.75% per annum from a state-owned commercial bank in the PRC, by pledging our finance lease receivables to the bank. As at 31 December 2016, our total bank and other borrowing balance was RMB500.9 million.

Our financing agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- failure to deliver to the bank a signed copy of our annual audited financial statements within six months after each financial year-end;
- failure to inform the bank of any change to our Directors or of any amendment to our constitutional documents;
- failure to repay the principal and/or interest in a timely manner; and

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- any major merger or consolidation involving us that the bank may deem to affect the security of the loan.

As at the Latest Practicable Date, none of our lenders have claimed default against us under any of the provisions in the financing agreements, and we have not breached any of the provisions that could result in any event of default under such financing agreements.

Amounts due to an intermediate holding company

During the Track Record Period, we had current accounts with Shanshan, which is a Controlling Shareholder. As at 31 December 2014, 2015 and 2016, the outstanding amount due to Shanshan was RMB25.1 million, RMB322.4 million and nil, respectively. As at 31 December 2016, we have fully settled the amount due to Shanshan.

OUR DEBT MANAGEMENT

We manage our debt based on the following strategies:

1. *Determine a reasonable level of debt on an annual basis:* at or around the beginning of each financial year, we determine a reasonable level of debt in accordance with our business plan for the year, business strategies, risk-taking capability and capital structure. Our assessment on the level of debt is updated monthly based on the new information available to us.
2. *Determine the most appropriate timing for borrowing:* when allocating funds and determining the timing for borrowing, we take into account the progress of our current projects and the relevant cash flow, and the historical return of cash flow of similar projects, to avoid having excessive funds and improve the efficiency of our use of funds.
3. *Arrange appropriate means of funding and plan proportional debt repayment structure:* we arrange appropriate means of funding, taking into account the different fundings' types, structures, interest rates, etc., so that we can plan our funding in advance to limit our risk exposure. First, we allocate short, medium and long term funding according to the use of funds, duration of projects and timings of our cash inflow. For short-term demand of funds, we use short-term borrowings to minimise our interest burden. For long-term demand of funds, we use long-term borrowings to avoid the risk of failing to raise sufficient funds when the need arises. This allows our short, medium and long term debts to be of an appropriate proportion, and avoids pressure on our cash flow due to concentration of our repayment schedules. Second, we consider the likelihood of reduction in interest rates in the future and strive to incur the lowest interest rates for our borrowings. If the interest rate is expected to decline, we will negotiate with the relevant bank for short-term borrowings with fixed interest rates, or long-term borrowings with fluctuating interest rates. If the interest rate is expected to increase, we will negotiate with the relevant bank for long-term

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borrowings with fixed interest rates. Third, we plan to diversify our means of funding, for instance by asset backed securitisation (ABS), to support our financing needs for expansion. Fourth, we strive to reduce interest expenses as much as possible in order to minimise our funding cost. Lastly, we strive to spread out our repayment period. Regardless of the types of debt (whether short-term, medium-term or long-term), the repayment period is spread out. The repayment period is arranged after taking into account a comprehensive forecast of the repayment schedules for repayments from our customers to us.

As our business expands, we expect our level of debt will increase due to the nature of our business. We endeavour to strictly follow the applicable laws and regulations to ensure that our risk assets will not exceed 10 times of our net assets, and that the level of our debt is maintained at a reasonable level.

Our debt management approval processes

We have implemented internal procedures to approve our financing plans. First, our Finance Department formulates our financing plans according to our business needs, cash flow forecast and market conditions. Such plans include certain details, such as the reasons and amount of funding needed, the means of funding, the financial institution to provide funding, the duration and cost of the funding, the institution providing guarantee (if any). Such plans are discussed internally, and finally approved by our Board before being implemented.

Our steps to manage our level of debt

During the Track Record Period, (i) at or around the beginning of each financial year, we determined our financing budget (which was included in our operating budget) based on our business plan. After the financing budget was determined, our Board was responsible for final review and approval; (ii) we arranged the timing and means for our borrowings according to our business development schedule and cash flow situations, with the aim to meet our business plans; (iii) we arranged financing based on the terms of our bank facilities and formulated debt repayment plan; and (iv) we proactively adjusted our debt structure according to the actual business environment, taking into account information which was not available or foreseen at the time when our debt structure was determined at the beginning of the relevant financial year. During the Track Record Period, we negotiated with the relevant banks for early repayment when we had sufficient funds.

After Listing, we intend to continue to take the abovementioned steps to manage our level of debt going forward.

Directors' view

As our business expands, we expect our level of debt will increase due to the nature of our business. The proceeds of the Listing will increase our funding for expanding our financing leasing and factoring operations, as well as for working capital and other general corporate purposes. Our Directors believe that through our Company's comprehensive debt management measures, we can ensure that we have sufficient working capital to meet our business needs and repay our debts promptly when they fall due, and effectively limit our exposure to liquidity risk.

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COMPETITION

The opening up of the finance leasing and factoring industries in the PRC during the recent years has resulted in increased competition. Our main competitors in the finance leasing industry are bank-affiliated finance leasing companies, finance leasing companies affiliated with conglomerates and major equipment suppliers, and independent finance leasing companies which operate on a similar scale with a similar target customer base to ours. Bank-affiliated leasing companies typically focus on leasing to large state-owned enterprises and have a customer base largely built on the bank's existing network. Finance leasing companies affiliated with conglomerates and major equipment suppliers typically focus on supporting the equipment sales of their related companies and plan their business expansions in line with the equipment sale demand of their related companies. Independent leasing companies utilise diversified capital sources and provide services to a relatively broader customer base characterised by greater flexibility, independence and discretion. Our main competitors in the factoring industry are bank factors and commercial factoring companies.

According to the CIC Report, the total registered capital of finance leasing companies in the PRC was approximately RMB2,556.9 billion in 2016, and there were over 7,000 registered finance leasing companies in the PRC. The finance leasing industry has high entry barriers, which include high capital requirement, finance leasing professionals, as well as credit rating and industry experience.

According to the CIC Report, the PRC's factoring market in terms of factoring turnover increased from RMB2,247.1 billion in 2011 to RMB2,786.4 billion in 2016 at a CAGR of 4.4%, and the market is expected to continue growing at a CAGR of 20.2% from 2016 to 2021. The market drivers for the PRC's factoring market include increasing enterprise accounts receivable, springing up of commercial factoring companies, national policy support, and improving credit investigation system and credit environment. Nevertheless, the high capital requirement, requirement of factoring professionals, and capacity of establishing a sound and comprehensive financial system and risk control system are significant entry barriers to the market.

Our ability to compete against our competitors is, to a significant extent, dependent on our ability to distinguish our services from those of our competitors through the following factors:

- focusing on SMEs in our strategic industries;
- our prudent risk management and internal control processes; and
- our strong capital base and diversified fundraising capabilities.

In response to the competitive environment, we intend to continue to implement our strategies to differentiate us from our competitors and to enable us to compete effectively in the finance leasing and factoring industries in the PRC.

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INFORMATION TECHNOLOGY

Our information technology (“IT”) systems are important to numerous aspects of our business operations, including transaction processing, quality control, risk management, customer services and financial management. As at 31 December 2016, we have engaged an external vendor to develop a customised enterprise resource planning system for our finance leasing business, including a customer relationship management system, to improve the efficiency and effectiveness of our services and to further strengthen our risk management and financial management capabilities.

As at 31 December 2016, we had one employee who manages our IT systems and supervises implementation of IT-related rules and measures.

INSURANCE

As at 31 December 2016, we maintained insurance for the equipment underlying our finance leases to cover any loss or damage to such equipment during the lease period. The insurance premiums are generally paid in accordance with the terms of the finance lease contract, where our customer will bear the cost of the insurance premium, but we are the beneficiary of the insurance. For the years ended 31 December 2014, 2015 and 2016, the actual pay-out resulting from our equipment insurance claims amounted to RMB5,440,000, nil and nil, respectively. In addition, we maintained social security insurance for our employees as required by the social security laws and regulations in the PRC.

During the Track Record Period, we did not experience any business interruptions which had a material adverse effect on our business. Based on industry practices in the PRC, the availability of insurance products in the PRC, and our experience in running our businesses, our Directors believe that we have sufficient insurance coverage for our current operations.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 77 full-time employees. The following table sets forth the breakdown of our full-time employees by departments as at the Latest Practicable Date:

<u>Departments</u>	
CEO office	4
Business department	24
Risk management department	14
Internal control department	2
Asset management department	9
Fund management department	1
Finance department	11
Administration staff, human resources and IT department	10
Others	2
TOTAL	77

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Employee Training

We believe our employees are our most valuable resources to achieving our success. To ensure the quality of our employees at all levels, we emphasise on the training and development of our employees. We have developed in-house training programs based on our accumulated industry experience. New employees are required to attend induction training courses to ensure that they are equipped with the necessary knowledge and expertise to perform their duties.

Employee Relations and Benefits

During the Track Record Period, we did not experience any strikes or significant labour disputes which materially affected our operations, and we believe we have maintained good relationship with our employees.

For the years ended 31 December 2014, 2015 and 2016, we incurred employment benefit expenses of RMB1.0 million, RMB0.8 million and RMB1.3 million, respectively, representing approximately 2.0%, 1.1% and 1.7% of our total revenue during those respective periods.

In accordance with applicable PRC laws and regulations, we have made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance plans) and housing funds for our employees. As at the Latest Practicable Date, we had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to us under PRC laws.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered, or have applied for the registration of, a number of intellectual property rights which, in the opinion of our Directors, are material in relation to our business. For further details on our intellectual property rights, see the paragraph headed “B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group” in Appendix V to this prospectus.

We do not license any intellectual property rights from, or to, any third parties.

Our Directors confirm that we are not involved in any proceedings in respect of, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent.

PROPERTIES

Leased Properties

As at the Latest Practicable Date, we did not own any properties, and we have leased three properties in Shenzhen, Tianjin and Jinhua, the PRC with an aggregate gross floor area of approximately 1,012.6 sq.m. for our office use.

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Our headquarters for our finance leasing business is located in Shenzhen, Guangdong province, the PRC. On 28 October 2014, the Company, as tenant, entered into a tenancy agreement with the lessor which is an Independent Third Party to lease an office with an aggregate gross floor area of 473.1 sq.m. for a term commencing on 1 November 2014 and expiring on 31 October 2017. According to the terms of the tenancy agreement, monthly rental between 1 November 2014 and 31 October 2016 shall be RMB73,700, and the monthly rental between 1 November 2016 and 31 October 2017 shall be RMB77,385.

Our headquarters for our factoring business is located in Tianjin, the PRC. On 20 January 2016, Fullin Factoring, as tenant, entered into a tenancy agreement with the lessor which is an Independent Third Party to lease an office with an aggregate gross floor area of 369.5 sq.m. for a term commencing on 1 May 2016 and expiring on 30 April 2018 at a monthly rental of RMB50,573.05.

In addition to the above, we also leased a property in Jinhua, Zhejiang province, the PRC. On 20 January 2017, Fullin Factoring, as tenant, entered into a tenancy agreement with the lessor which is an Independent Third Party to lease an office area with an aggregate gross floor area of 170.0 sq.m. for a term commencing on 1 February 2017 and expiring on 31 July 2017 at a monthly rental of RMB6,961.50.

As at the Latest Practicable Date, the lessors of our leased properties have obtained valid building ownership certificates and have provided us with the same evidence that they have the requisite titles or right to lease these properties to us. We have registered the lease agreements in respect of all of our leased properties.

According to Chapter 8 of the GEM Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report in respect of all our interests in lands or buildings, because as at the Latest Practicable Date, the carrying amount of our property interests was less than 15% of our total assets.

APPROVALS AND NON-COMPLIANCE

Approvals, Licences and Permits

We conduct our finance leasing business and factoring business in the PRC and are subject to the regulatory requirements of the PRC. Our Directors and our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements in all material aspects and obtained all approvals, licences and permits required for our operations in accordance with PRC laws and regulations. The approvals, licences and permits required for our operations in the PRC primarily include finance leasing company and factoring business company establishment approval, enterprise business licence, medical equipment business operation licence, and social insurance registration certificate, issued by the local branches of MOFCOM, local branches of food and drug administration, local branches of SAIC, and

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other government agencies. Our medical equipment business operation licence will be valid until 3 November 2020. Regarding other licences and permits without expiry date, neither the licences and permits themselves indicate any expiry dates, nor have the issuance authorities issued further instructions regarding expiry dates.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance with the applicable laws, rules and regulations in the PRC which, in the opinion of our Directors, is likely to have a material adverse impact on our business, financial condition or results of operations.

LEGAL PROCEEDINGS

We are involved, from time to time, in legal proceedings arising in the ordinary course of business. These legal proceedings generally involve claims initiated by us to recover payments from our customers. During the Track Record Period, we had a total of 37 legal proceedings in which we claimed against our customers and/or their guarantors for overdue payments under our finance leasing or factoring transactions. Our Directors believe that utilising legal proceedings will help us to put pressure on our customers to work out a repayment schedule with us, or to identify additional assets that our customers can provide as collateral to secure the outstanding receivables. As at the Latest Practicable Date, 21 out of these 37 legal proceedings have been completed. Out of these 21 completed legal proceedings, we have (i) received judgment for three cases; and (ii) reached settlements with the defendant(s) for 18 cases. The total gross receivables under the finance leasing and factoring transactions in relation to these 21 proceedings amounted to approximately RMB37.7 million, and we recovered a total of RMB33.7 million in connection with these proceedings as at 31 December 2016. As at the Latest Practicable Date, we had a total of 16 outstanding legal proceedings against our customers and their guarantors. The total amount receivable under dispute in relation to such outstanding legal proceedings amounted to approximately RMB30.2 million as at 31 December 2016. In this regard, we have made a RMB4.3 million individual impairment allowance for the amounts receivable subject to these 16 outstanding legal proceedings.

Our Directors believe we have solid grounds to succeed on all the outstanding litigation and believe we will be able to recover a substantial portion of the claimed amount. Therefore, we believe such impairment allowance was made under our standard provisioning policy and was adequate to cover the amounts receivable subject to legal proceedings. As such, we do not anticipate any significant material adverse change to our results of operations if any of these legal proceedings are decided against us.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceeding in which we served as defendant.

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For details of the 16 ongoing legal proceedings as at the Latest Practicable Date, please see the outstanding litigation table below.

Case no.	Plaintiff	Litigation progress as at the Latest Practicable Date	Start date of financing	First overdue date	Total amount receivable	Individual impairment (as at 31 December 2016)	Collective impairment (as at 31 December 2016)	Net unpaid amount receivable	Net exposure (netting off deposit)	Claim amount
					(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Case 1 ⁽¹⁾	Our Company	Hearing completed; judgment to be handed down	7 May 2014	25 October 2014	—	—	—	—	—	17,950,739.20
Case 2 ⁽¹⁾	Our Company	Hearing completed; judgment to be handed down	18 September 2014	15 October 2014	—	—	—	—	—	5,803,300.00
Case 3 ⁽¹⁾	Our Company	Hearing completed; judgment to be handed down	10 July 2014	10 October 2014	—	—	—	—	—	8,282,962.00
Case 4 ⁽¹⁾	Our Company	Hearing completed; judgment to be handed down	15 July 2014	15 September 2014	—	—	—	—	—	5,742,825.00
Case 5	Our Company	Executing judgment	15 April 2014	15 November 2014	2,697,825.42	(539,565.08)	—	2,158,260.34	1,743,260.34	3,611,348.28
Case 6	Our Company	Executing judgment	18 April 2014	15 December 2014	6,977,720.18	(1,395,544.04)	—	5,582,176.14	4,532,176.14	9,116,882.33
Case 7	Our Company	Executing judgment	19 September 2014	15 September 2015	315,510.77	—	(2,208.58)	313,302.19	184,252.19	925,862.08
Case 8	Our Company	Executing judgment	30 May 2014	25 March 2015	405,531.83	(81,106.37)	—	324,425.46	324,425.46	187,432.50
Case 9	Our Company	Hearing in progress	8 December 2014	5 October 2015	2,426,425.13	(485,285.03)	—	1,941,140.10	1,341,140.10	3,352,441.94
Case 10	Our Company	Hearing in progress	15 May 2014	15 June 2015	2,042,462.28	(408,492.46)	—	1,633,969.82	1,002,753.58	1,236,862.98
Case 11	Our Company	Executing judgment	15 September 2015	15 November 2015	3,305,740.52	—	(23,140.18)	3,282,600.34	2,728,850.34	3,772,693.00
Case 12	Our Company	Hearing in progress	24 March 2016	15 May 2016	525,899.65	—	(3,681.30)	522,218.35	404,218.35	647,118.00
Case 13	Our Company	Executing judgment	17 November 2015	15 December 2015	4,773,050.24	—	(33,411.35)	4,739,638.89	4,020,138.89	1,325,035.94
Case 14	Fullin Factoring	Executing judgment	28 January 2015	1 August 2015	1,766,150.15	(353,230.03)	—	1,412,920.12	1,412,920.12	1,845,422.44
Case 15	Fullin Factoring	Executing judgment	16 March 2015	21 October 2015	5,000,000.00	(1,000,000.00)	—	4,000,000	4,000,000	5,492,825.00
Case 16 ⁽²⁾	Fullin Factoring	Hearing in progress	30 June 2015	21 September 2015	—	—	—	—	—	10,250,000.00
Total:					30,236,316.17	(4,263,223.01)	(62,441.41)	25,910,651.75	21,694,135.51	79,543,750.69

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Note:

- (1) We have sold these finance lease receivables to an Independent Third Party. The sale was completed on 27 June 2016 and we ceased to have any interest in these receivables after completion. Notwithstanding the sale, the litigation continued to proceed in the name of our Company, and we will account to the purchaser for the litigation proceeds (if any). For more details on this sale, see the paragraph headed “Asset Quality/Policy for Provision of Impairment” in this section.
- (2) We have sold these factoring receivables to an Independent Third Party. The sale was completed on 27 June 2016 and we ceased to have any interest in these receivables after completion. Notwithstanding the sale, the litigation continued to proceed in the name of our Company, and we will account to the purchaser for the litigation proceeds (if any). For more details on this sale, see the paragraph headed “Asset Quality/Policy for Provision of Impairment” in this section.

RISK MANAGEMENT AND OPERATIONS

OVERVIEW

As a financial services company, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and mitigating these risks. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. We seek to maintain a diversified portfolio with a primary focus on various strategic industries for our finance leasing and factoring businesses. For details on our strategic industries, see “Business — Customer Industry Analysis”. We believe this enhances our risk management capability in that our overall portfolio risk would be less vulnerable to the cyclical and market conditions of a single industry. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment. As a result of our stringent and mature risk management procedures, as at the Latest Practicable Date, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil.

As our finance leasing business and factoring business are carried out by different entities within our Group (namely the Company and Fullin Factoring, respectively), we generally maintain separate bodies responsible for risk management within each respective entity. Unless otherwise stated, the risk management systems for our finance leasing business and factoring business are materially similar.

RISK MANAGEMENT SYSTEM FRAMEWORK

The following bodies are principally responsible for our risk management system: (i) Board; (ii) Risk & Investment Committee; (iii) Project Approval Committee; (iv) Risk Management Department; (v) Internal Control Department; (vi) Asset Management Department; (vii) Business Department; and (viii) Finance Department.

Board of Directors

The Board is the highest level of our risk management system, and is ultimately responsible for our overall risk management. For example, the Board approves the appointment of the members of our Risk & Investment Committee and Project Approval Committee. Their experience and expertise in the finance services industry have helped us build up an effective risk control and management system. The Chairman of our Board, Mr. Zhuang Wei, has over 20 years of experience in the investment industry. For details on the relevant qualifications and experience of the Board members, see “Directors, Supervisors, Senior Management and Employees — Board of Directors”.

RISK MANAGEMENT AND OPERATIONS

Risk & Investment Committee

The Risk & Investment Committee is primarily responsible for reviewing and deciding whether to approve larger-scale projects or projects that involve a new industry. See the paragraph headed “Credit Risk Management — Project Assessment and Preparation” in this section for further details on our assessment of new projects. The Risk & Investment Committee directly reports to the Board.

The Company and Fullin Factoring report to their respective Risk & Investment Committee.

As at 31 December 2016, the Risk & Investment Committee of each of the Company and Fullin Factoring has the identical following nine members:

Name	Title	Experience
Mr. Zhuang Wei	Chairman of Risk & Investment Committee; non-executive Director of the Company; non-executive director of Fullin Factoring	Over 20 years of experience in the investment industry
Mr. Li Peng	Executive Director and general manager of the Company; executive director and general manager of Fullin Factoring	Over five years of experience in corporate management, and over 16 years of experience in the legal profession
Ms. Hui Ying	Non-executive Director of the Company	Over five years of experience in the legal profession, and over five years of experience as in-house legal counsel
Mr. Weng Huiping	Non-executive director of Fullin Factoring	Over 15 years of experience in financial management
Mr. Cheng Longjie	General manager of Beijing Medical	Over 19 years of experience in corporate management
Mr. Chun Yong	Deputy general manager of the Company	Over eight years of experience in corporate finance and risk management
Ms. Gong Xiaoting	Head of Treasury Department of the Company	Over four years of experience in financial management
Mr. Xu Yuhe	Consultant	Over 19 years of experience in corporate management
Mr. Qian Cheng	Non-executive Director of the Company; non-executive director of Fullin Factoring	Over 10 years of experience in corporate management

RISK MANAGEMENT AND OPERATIONS

The Risk & Investment Committee requires a quorum of least five voting members out of whom at least three must be directors, and at least a 60% affirmative vote (including at least three directors), in order to approve a project. As the chairman of our Risk & Investment Committee, Mr. Zhuang Wei has a veto right. Mr. Zhuang Wei, Mr. Weng Huiping, Mr. Qian Cheng and Mr. Li Peng will typically attend every Risk & Investment Committee meeting. Mr. Cheng Longjie will typically attend meetings relating to our factoring projects.

Project Approval Committee

The Project Approval Committee is primarily responsible for reviewing and deciding whether to approve smaller-scale projects that do not involve a new industry, while it is also involved in reviewing larger scale projects or projects that involve a new industry. See the paragraph headed “Credit Risk Management — Project Assessment and Preparation” in this section. The Project Approval Committee directly reports to the Board.

The Company and Fullin Factoring report to their respective Project Approval Committee.

As at 31 December 2016, the Project Approval Committee of the Company and Fullin Factoring, respectively, has the following members:

Project Approval Committee of the Company

Name	Title	Experience
Mr. Li Peng	Chairman of Project Approval Committee; executive director; general manager	Over five years of experience in corporate management, and over 16 years of experience in the legal profession
Mr. Weng Jianxing	Deputy chairman of Project Approval Committee; executive Director; head of Risk Management Department	Over seven years of experience in financial products and risk management
Mr. Chun Yong	Deputy general manager	Over eight years of experience in corporate finance and risk management
Ms. Wang Ying	Head of Finance Department; joint company secretary	Over five years of experience in financial management
Ms. Gong Xiaoting	Head of Treasury Department	Over four years of experience in financial management
Mr. Liu Bing	Senior risk manager	Over five years of experience in risk management
Mr. Sun Tao	Head of Business Department	Over three years of experience in corporate finance

RISK MANAGEMENT AND OPERATIONS

Project Approval Committee of Fullin Factoring

Name	Title	Experience
Mr. Li Peng	Chairman of Project Approval Committee; executive director; general manager	Over five years of experience in corporate management, and over 16 years of experience in the legal profession
Mr. Sun Ke	Deputy chairman of Project Approval Committee; head of Business Development Department	Over three years of experience in corporate finance
Mr. Weng Jianxing	Executive Director of the Company; head of Risk Management Department of the Company	Over seven years of experience in financial products and risk management
Mr. Chun Yong	Deputy general manager of the Company	Over eight years of experience in corporate finance and risk management
Ms. Wang Ying	Head of Finance Department; joint company secretary	Over five years of experience in financial management
Ms. Gong Xiaoting	Head of Treasury Department of the Company	Over four years of experience in financial management
Ms. Wu Lujing	Deputy head of Finance Department	Over two years of experience in financial management
Mr. Ni Daoyang	Head of Risk Management Department	Over 25 years of experience in corporate finance
Mr. Fu Tao	Senior risk manager	Over eight years of experience in corporate finance

The Project Approval Committee requires a quorum of at least five voting members including the chairman or deputy chairman of the relevant Project Approval Committee, and at least a 60% affirmative vote, in order to approve a project. Each of the chairman and deputy chairman of the Project Approval Committee of the Company and Fullin Factoring has a veto right.

RISK MANAGEMENT AND OPERATIONS

Risk Management Department

The Risk Management Department is central to our risk management capabilities. In addition to conducting its independent due diligence and credit assessment for potential projects, the Risk Management Department is responsible for formulating and implementing our risk management rules and policies. The Risk Management Department is also involved in our portfolio management as well as enforcement measures. As at the Latest Practicable Date, the Company's Risk Management Department has 10 employees, while Fullin Factoring's Risk Management Department has four employees.

Internal Control Department

The Internal Control Department is primarily responsible for formulating and implementing internal control rules and policies. In addition, it monitors and evaluates the other departments' compliance with the management policies and internal control procedures, thereby improving our corporate governance. As at the Latest Practicable Date, the Company's Internal Control Department has two employees.

Asset Management Department

The Asset Management Department oversees our portfolio management by monitoring payment of our receivables and sending payment reminders, as well as performing regular on-site visits to, and online searches on, our customers. In the event of non-payment, the Asset Management Department also undertakes enforcement measures. Separately, it manages the legal and operational risks relating to the drafting and review of our business contracts. As at the Latest Practicable Date, the Company's Asset Management Department has seven employees, while Fullin Factoring's Asset Management Department has two employees.

Business Department

The Business Department is responsible for preliminary assessment of potential customers. In addition, it conducts due diligence and credit assessments on such customers. Furthermore, the Business Department is involved in our portfolio management as well as enforcement measures. As at the Latest Practicable Date, the Company's Business Department has 21 employees, while Fullin Factoring's Business Department has three employees.

RISK MANAGEMENT AND OPERATIONS

Finance Department

The Finance Department is responsible for managing risks that we face in relation to liquidity and interest rates. Furthermore, the Finance Department works closely with the Asset Management Department to monitor payments of our receivables so as to mitigate credit and liquidity risks. As at the Latest Practicable Date, the Company's Finance Department has seven employees, while Fullin Factoring's Finance Department has four employees.

CREDIT RISK MANAGEMENT

Credit risk is the primary risk that we face in our finance leasing and factoring businesses. Credit risk arises from the inability or unwillingness of our customers (or, in the case of our factoring business, the underlying debtors) to make timely payments to us and/or to perform his or its contractual obligations.

The following table illustrates the key processes of our credit risk management system:

Credit Risk Management Process

Risk management
measures for different
stages of a project

	Responsible department(s)	Functions
Initiation and Internal Review	<ul style="list-style-type: none">• Business Department	<ul style="list-style-type: none">• Conduct preliminary assessment
Due Diligence	<ul style="list-style-type: none">• Business Department• Risk Management Department	<ul style="list-style-type: none">• Conduct due diligence into background and creditworthiness of customer, guarantor, equipment supplier and/or underlying debtor• Submit proposal to higher level committee

RISK MANAGEMENT AND OPERATIONS

**Risk management
measures for different
stages of a project**

	Responsible department(s)	Functions
Project Assessment and Preparation	<ul style="list-style-type: none"> • Risk & Investment Committee • Project Approval Committee 	<ul style="list-style-type: none"> • Risk & Investment Committee principally reviews and approves: <ul style="list-style-type: none"> — finance lease projects exceeding RMB10 million and/or involving new industry — factoring projects exceeding RMB5 million and/or involving new industry • Project Approval Committee principally reviews and approves: <ul style="list-style-type: none"> — finance lease projects not exceeding RMB10 million and not involving new industry — factoring projects not exceeding RMB5 million and not involving new industry
Signing and Closing	<ul style="list-style-type: none"> • Business Department • Asset Management Department • Finance Department 	<ul style="list-style-type: none"> • Draft, review and execute contracts • Prepare and submit project documents (if bank finance required) • Complete registration of assets and collateral • Purchase insurance
Portfolio Management and Monitoring	<ul style="list-style-type: none"> • Business Department • Risk Management Department • Asset Management Department • Finance Department 	<ul style="list-style-type: none"> • Monitor customer's payments, financial condition and operations • Conduct monthly assessments of assets
Risk Management and Enforcement Measures	<ul style="list-style-type: none"> • Business Department • Risk Management Department • Asset Management Department 	<ul style="list-style-type: none"> • Enforce collateral • Extend repayment schedule • Transfer non-performing assets

RISK MANAGEMENT AND OPERATIONS

Initiation and Internal Review

Our employees in the Business Department will establish the initial relationship with potential customers. In conducting our preliminary assessment of customers, we take into account a number of factors, such as the prevailing national and local laws and policy governing that customer's industry, as well as that customer's operational history, financial position and credit history. We generally require potential sale-leaseback customers to fulfill our following preliminary requirements:

- at least three years' track record of operations;
- net profits during each of the two most recent years;
- financing amount shall not exceed 10% of annual turnover;
- total outstanding liabilities amount towards financial institutions shall not exceed 50% of annual turnover;
- debt-to-assets ratio shall not exceed 60%; and
- no negative credit history or material litigation involving the customer or its controlling shareholders during the past two years.

In addition to the potential customer, we generally also take into account the equipment supplier (for our finance leasing business) and the underlying debtor (for our factoring business). For our finance leasing business and factoring business, we typically conduct public searches on the equipment supplier and the underlying debtor, respectively. For our factoring business, we generally also consider whether the underlying debtor has a track record of timely payment towards the potential customer.

Once we have identified potential customers who meet our preliminary requirements, our employees in the Business Department will submit project recommendations to the head of the Business Department, who will decide whether to approve the recommendation.

Due Diligence

After the potential customer has been preliminarily approved, the Business Department will follow up with such customer. The Business Department and Risk Management Department will conduct separate and independent due diligence investigations into the background and creditworthiness of the customer (including its controlling shareholder(s)). We have developed detailed checklists on the due diligence procedures so as to facilitate the due diligence investigations. We will request for information and documents relating to the customer's corporate records, business operations, financial position, management, purpose for the financing, credit history, repayment abilities and future growth prospects. Our mediums of inspection will include on-site inspections and sampling, public searches, credit rating reports and searches from the PBOC.

RISK MANAGEMENT AND OPERATIONS

We typically require additional collateral in the form of guarantees provided by the potential customer's legal representative, major shareholders and/or related-party companies. Review of these guarantors' creditworthiness is included in our due diligence. In addition, we generally conduct due diligence on the equipment supplier (for our finance leasing business) and the underlying debtor (for our factoring business).

Based on the results of the due diligence and credit assessment, the Business Department and Risk Management Department will submit a detailed project proposal (including the key terms such as financing amount, interest rates, repayment schedule, etc.) for approval by a higher level committee.

Project Assessment and Preparation

If a project involves a new industry and/or a financing amount that exceeds a certain threshold, the proposal will need to be reviewed and approved by the Project Approval Committee and then by the Risk & Investment Committee. The threshold for financing leasing projects is RMB10 million, while the threshold for factoring projects is RMB5 million. If a project does not involve a new industry, and the financing amount does not exceed the aforesaid threshold, the proposal may be reviewed and approved by the Project Approval Committee. Following which, the proposal that has been approved by the Project Approval Committee, together with the minutes of the Project Approval Committee meeting, must be filed with the Board. The Board will be deemed to have approved the proposal if it does not raise any objection within 48 hours of the filing.

During the project assessment stage, the Risk & Investment Committee and the Project Approval Committee will review the reports prepared by the Business Department and the Risk Management Department.

The Risk & Investment Committee and the Project Approval Committee will discuss the issues and risks identified during the due diligence stage, and will assess whether the proposed business terms (including financing amount, term, interest rates, etc.) are acceptable.

For example, the potential customer may be required to provide additional collateral and/or guarantees if there are concerns over his or its creditworthiness.

Based on the results of the review, we may: (i) approve the project (with or without modifications to the business terms, such as amount of collateral or guarantees); (ii) decline the project; or (iii) reconsider the project at a later date. We usually reconsider projects if any clarification or supplemental information is required in respect of such projects. In principle, projects that have been declined are not allowed to be referred to the Risk & Investment Committee or the Project Approval Committee for subsequent review within six months after being declined.

RISK MANAGEMENT AND OPERATIONS

Signing and Closing

Upon receipt of approval from the relevant committee, the Business Department will adopt the relevant contract templates (prepared by our Asset Management Department) and insert the terms that have been approved by the committee. These contracts include the finance leasing agreement, sale-and-purchase agreement, factoring agreement, notification letter, as well as guarantee, pledge and/or mortgage agreements. After the Asset Management Department has reviewed such contracts, the Business Department will execute the contracts with the relevant parties (including the customer as well as the guarantor and/or underlying debtor) in accordance with our prescribed procedures for the execution of contracts.

If bank financing is required, the Finance Department will prepare and submit the project documents that will be used to apply for the bank loans.

In addition, the Business Department and the Asset Management Department will carry out a series of risk management measures, including registration of the equipment, pledge, mortgage and/or transfer of the receivables. The Business Department will also purchase, or procure our customers to purchase, insurance over our leased equipment. See “Business — Insurance” for details on such insurance.

We generally require the above steps to be completed before the customer will be allowed to drawdown the financing provided by us.

Portfolio Management and Monitoring

Our Asset Management Department, Business Department, Finance Department and Risk Management Department are collectively responsible for portfolio management. Our Asset Management Department will send payment reminders to the customer on a monthly basis. Our Asset Management Department and Finance Department will monitor the collection of payments from our customers and/or the underlying debtors on a monthly basis, and will prepare monthly reports to senior management regarding such payments. In addition, our Asset Management Department will conduct monthly assessments of the assets in respect of our finance leasing and factoring projects, and will report these assessments to our senior management. See “Business — Asset Quality/Policy for Provision of Impairment” for details on the five-tier classification of our assets.

For customers who do not have overdue payments, our Business Department or Asset Management Department will typically conduct on-site inspections at least once in every six months. Such inspections will cover the following key aspects:

- whether the leased equipment (for finance leases) have been maintained in good condition;
- whether there is any material change in the customer’s shareholders or employees;

RISK MANAGEMENT AND OPERATIONS

- whether there is any material change in the customer's operational conditions (including its electricity, water and gas utilities usage) and financial conditions (including its turnover, profits and liabilities); and
- whether the customer has any recent expansion plans.

In the event that payment is overdue by more than five days, our Business Department and Risk Management Department personnel will typically visit the customer as soon as possible to investigate the customer's operational and financial conditions as well as the reason for late payment, including whether the leased equipment (for finance leases) have been maintained in good condition. Our Business Department and Risk Management Department will report their findings to our senior management.

Risk Management and Enforcement Measures

Based on the above reports, we will develop and implement certain risk management procedures in order to mitigate our losses. Pursuant to our on-site visits to a customer with overdue payments, we usually try to negotiate with the customer revised repayment terms, including an extension or adjustment of their repayment schedule, or a return and disposal of our leased equipment. If we are not able to agree with our customer on the revised repayment terms, we would typically undertake other risk management procedures. Our Business Department, Asset Management Department and Risk Management Department are primarily responsible for implementing these procedures. Such procedures include conducting on-site inspections, sending letters of demand for payment after the scheduled repayment date, initiating legal proceedings against our customers and their guarantors to recover payments, and taking enforcement actions in respect of the collateral and/or guarantee, including:

- disposal of the leased equipment (for finance leases) and/or collateral through sales or auction;
- claims against the guarantor(s) and/or the underlying debtor (for factoring);
- acceleration of repayment; and
- application for court orders to seize the assets (including real property, personal property, and securities) of the customer and/or guarantor(s), and to block their bank accounts.

In addition to the above risk management procedures, we may also consider transferring our non-performing assets to a third party such as asset management companies and private equity firms in the PRC. During the Track Record Period, we sold five non-performing finance lease receivables assets and one non-performing factoring receivable asset to an Independent Third Party. For details on the sale, see "Business — Asset Quality/Policy for Provision of Impairment". According to CIC, the transfer of non-performing assets to third parties such as asset management companies and private equity firms is time-efficient and cost-effective, and has been commonly used in the industry as an important channel for financial enterprises and enterprises with similar financial functions to manage and liquidate their non-performing assets. Our Directors believe that such transfer will allow us to avoid incurring further time and costs in recovering payments from our customers and/or their guarantors.

RISK MANAGEMENT AND OPERATIONS

For our existing non-performing assets as at the Latest Practicable Date, we do not currently intend to transfer these assets to third parties. Instead, we will continue to adopt other risk management and enforcement measures, including legal proceedings against our customers and their guarantors, and disposing of the underlying equipment and/or collateral. For details on our legal proceedings, see “Business — Legal Proceedings”.

Although we do not currently intend to transfer any of our existing or future non-performing assets, we may undertake such transfers in the future to optimise our asset portfolio, provided the terms are commercially acceptable to us. Should we decide to transfer our non-performing assets in the future, the transfers will be without recourse against us, and we expect that we will not record any losses in connection with the transfer after taking into account our provision and the security deposits received (if any).

During the Track Record Period, we did not engage any third party agent to facilitate the collection of our receivables and/or the taking possession of collaterals from our customers.

For customers having overdue payments due to short term working capital or cash flow difficulties, we may agree to grant an extension or adjustment of their repayment schedule after conducting stringent due diligence to determine whether credit extension is the optimal risk mitigating option in light of the customers’ credit record and financial position. We may either extend the repayment period with or without adjustments to the repayment amounts, or adjust the repayment amount and shorten the repayment period. To the best knowledge of our Directors, the extensions and adjustments during the Track Record Period mainly related to cash flow difficulties experienced by our customers either due to slower payments by their downstream customers and/or unexpected unavailability of commercial bank loans. In deciding whether to grant the extension or adjustment, we typically take into account the following: (i) the reason(s) for the customer’s cash flow difficulties; (ii) whether the customer made punctual payments in the past; (iii) whether the customer has a good credit record in general; (iv) whether any material adverse change to the customer’s industry, business operations and major financial performance indicators has occurred; (v) whether there has been any material change in the customer’s shareholders and management; and (vi) whether there has been any material deterioration in the value of the assets, collateral and/or guarantee. Any extension or adjustment (including its terms) will be reviewed by our Business Department, Asset Management Department and Risk Management Department, and is subject to the approval of our general manager. For customers who have been granted an extension but still have overdue payments after the expiration of the extension period, our Business Department and Risk Management Department personnel will typically investigate the reason for the continual default and report their findings to our senior management, followed by certain risk management and enforcement measures described above.

For the years ended 31 December 2014, 2015 and 2016, we have granted extensions and adjustments for a total of nil, four, and three cases involving a total of outstanding finance lease receivables amount of nil, RMB15.6 million and RMB10.6 million at the date of extension or adjustment, respectively. Out of these cases, only one extension involved an increase in the number of months for the repayment period. In respect of this extension, which was granted during the year

RISK MANAGEMENT AND OPERATIONS

ended 31 December 2015 and which involved an outstanding finance lease receivables amount of RMB3.6 million as at the date of extension, the original repayment period was extended from 35 months to 36 months, and the customer was required to pay an additional lease payment of RMB35,000.

The remaining cases involved either (i) a deferred calendar date for each monthly payment without any adjustment to the repayment amount or the number of months for the repayment period, or (ii) an adjustment of the repayment amount coupled with a shortened repayment period. For the five cases involving a deferred monthly payment date, two out of these five projects have been completed as at the Latest Practicable Date, the customers for two projects have been paying the lease payments according to our agreed repayment schedules, and the customer for the last project has not fully complied with our agreed repayment schedule. We have initiated legal proceedings against this last customer, and have made an individual impairment allowance of approximately RMB0.4 million for the year ended 31 December 2016, for this non-performing finance lease asset. The outstanding finance lease receivables amount for this non-performing finance lease asset was RMB2.0 million as at 31 December 2016. Other than this non-performing finance lease asset, we did not experience any change in the total finance lease income for the cases involving a deferred calendar date for each monthly payment. For the adjustment which was granted during the year ended 31 December 2016, the original repayment period was reduced from 35 months to 30 months without reducing our internal rate of return for this project, hence reducing the total finance lease income of the project by approximately RMB74,000, and the outstanding finance lease receivables amount was RMB5.9 million as at the date of adjustment. Other than the single non-performing finance lease asset identified above, for the remaining cases of extensions and adjustments, the customers either have settled all lease payments, or have been paying the lease payments according to our agreed repayment schedules.

During the Track Record Period and as part of our ordinary course of business, we initiated legal proceedings against our customers and their guarantors to recover overdue payments. Pursuant to those proceedings, the repayment terms of the relevant projects could be restructured due to either our out-of-court settlement with the customer, or court orders against the customer. For the years ended 31 December 2014, 2015 and 2016, there were a total of one, 13 and 11 of such cases involving a total of outstanding receivable amount of RMB4.5 million, RMB45.3 million and RMB24.5 million at the date of restructuring, respectively. We have also successfully obtained the court's freezing orders on the leased equipment and other collateral we have obtained from our customers. We believe that these freezing orders prevent the defendants from transferring their assets and increase the likelihood that the defendants will have sufficient assets to satisfy our claims in case we succeed in our legal proceedings. If we succeed in our legal proceedings, we would obtain possession to the leased equipment and other collateral. We could then dispose of such equipment and collateral at an appropriate price. For the years ended 31 December 2014, 2015 and 2016, there were a total of nil, two and two cases where we disposed the underlying equipment of non-performing assets for our finance leases for a consideration of nil, RMB2.9 million and RMB4.4 million, respectively, which was sufficient to cover the outstanding balance of the corresponding finance leasing transactions which amounted to nil, RMB2.8 million and RMB3.7 million, respectively.

RISK MANAGEMENT AND OPERATIONS

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. The duration of most of our factoring projects are less than a year, while the majority of our finance leasing projects range from two to three years.

Our Finance Department is primarily responsible for managing liquidity risk. To address liquidity risk, we have undertaken the following measures:

- striving to match the duration of each of our finance leasing and factoring projects (generally not more than three years) with bank borrowings that are on similar two or three year terms;
- managing our cash flow through a monthly operating budget that is monitored and adjusted (if necessary) on a weekly basis. Towards the end of each month, every department is required to submit to our Finance Department a capital expenditure forecast for the next month. Taking into account the monthly reports prepared by our Asset Management Department in respect of the payment collections from our customers and/or the underlying debtors, our Finance Department will prepare a monthly operating budget to provide for the anticipated expenditures (including funding for new projects) required by each department. In addition, our Finance Department will monitor on a weekly basis whether our actual capital expenditures deviate from the relevant forecast, and if necessary adjust the budget for the following week(s). This allows us to identify and address any potential shortfall in future cash flow;
- analysing whether we will be able to obtain borrowings at a cost that matches our finance leasing and factoring projects; and
- monitoring financial indicators relevant to the assessment of our liquidity risk, as part of the monthly income statement, balance sheet, and statement of cash flows prepared by our Finance Department.

INTEREST RATE RISK MANAGEMENT

The interest rate risk that we face is relatively limited because our assets and liabilities are generally based on fixed interest rates. The limited interest rate risk arises from the difference in the duration of our assets and liabilities. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank and other borrowings and accounts receivable.

Our Finance Department is primarily responsible for managing interest rate risk. To better manage our interest rate risk, we have undertaken the following measures:

- tracking interest rate fluctuations regularly; and

RISK MANAGEMENT AND OPERATIONS

- monitoring the sensitivity of projected net interest income under varying interest rate scenarios.

OPERATIONAL RISK MANAGEMENT

Operational risk arises primarily from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate operational policies and procedures.

We have adopted the following measures to monitor and control our operational risk and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of the Board, senior management, as well as the various committees and departments;
- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- formulating and adopting standard commercial contracts for our business operations;
- maintaining a Business Department responsible for developing, examining and supervising the workflow of various business operations and providing necessary training to business development personnel;
- maintaining an Internal Control Department responsible for monitoring and evaluating the other Departments' compliance with the management policies and internal control procedures, thereby improving our corporate governance. For example, the Internal Control Department will circulate to all departments a weekly report which identifies any items of non-compliance within the organisation, and which monitors the implementation of remedial measures to address such non-compliance. This regular monitoring process by a separate and independent department mitigates the risk of non-compliance being unnoticed and/or unaddressed by the other departments that are collectively responsible for our business operations, thereby reducing our operational risk;
- maintaining and continuously improving our operational procedures and internal control system, and utilizing our information technology system to monitor and control the performance of each procedure;
- providing training and ethical education to our employees in order to enhance their awareness and ethics against fraud and other crimes; and
- reviewing, assessing and adjusting our established internal control procures and risk management systems on an annual basis in response to the development of our business process as well as the regulatory requirement.

RISK MANAGEMENT AND OPERATIONS

LEGAL AND COMPLIANCE RISK MANAGEMENT

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our finance lease and factoring operations, capital structure, pricing and provisioning policy, which may be subject to changes. See “Regulations” for further details on the applicable laws and regulations in relation to our business operations. If we fail to comply with these laws and regulations, we may be required to rectify and may incur penalties and losses.

During the Track Record Period, we have not been challenged for any material non-compliance incidents by any governmental authorities. In addition, we have strengthened our legal and compliance risk management by:

- reviewing our management accounts on a monthly basis to monitor the key financial indicators of our operations;
- establishing risk-monitoring thresholds in our system in accordance with the relevant legal and regulatory requirements, to monitor and identify the irregularities and non-compliance incidents in our operations;
- employing two PRC-qualified lawyers within the Asset Management Department of the Company, who perform an in-house legal advisory role;
- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities; and
- reiterating the importance of adherence to our operational protocols and procedures to our employees and, in particular, new employees, to ensure effective implementation of our operational protocols and procedures.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Share Offer, Shanshan HK, a wholly-owned subsidiary of Shanshan, will own approximately 41.60% of the registered share capital of our Company. As a result, each of Shanshan HK and Shanshan will be regarded as a controlling shareholder of our Company. As Shanshan Group and Shanshan Holding (a company which is, through Qinggang Investment, controlled by Mr. Zheng and Ms. Zhou) collectively hold 39.88% in Shanshan, each of Shanshan Group and Shanshan Holding will be regarded as part of a group of controlling shareholders under Rule 1.01 of the GEM Listing Rules. As Shanshan Group is controlled by Ningbo Yonggang, which is in turn controlled by Shanshan Holding, Ningbo Yonggang will be regarded as a controlling shareholder of the Company under Rule 1.01 of the GEM Listing Rules. Each of Mr. Zheng and Ms. Zhou (through Qinggang Investment) is a shareholder who can ultimately exercise 30% or more of the voting right at general meetings of the Company. As such, each of Mr. Zheng, Ms. Zhou and Qinggang Investment will be regarded as a controlling shareholder of the Company under Rule 1.01 of the GEM Listing Rules.

Each of Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding and Qinggang Investment is an investment company.

Shanshan is a company established in the PRC on 14 December 1992 and listed on the Shanghai Stock Exchange in January 1996. As at the Latest Practicable Date, the registered capital of Shanshan was RMB1,122,764,986 and it was owned as to approximately 23.79% by Shanshan Group, 16.09% by Shanshan Holding and 0.04% by Mr. Zheng. The Parent Group is principally engaged in the manufacture and sale of the raw materials of lithium battery (i.e. anode and cathode materials and electrolyte), new energy vehicle business (i.e. manufacture and sale of power strain control system, operation and promotion of new energy vehicles), investment and design, research, development and sale of apparel products.

Apart from holding interest in Shanshan directly, Shanshan Group, through its subsidiaries, is principally engaged in property development and management, shopping mall operation, trading of non-ferrous metals and chemical products, asset management and investment. In addition to holding interest in Shanshan Group directly and indirectly, Shanshan Holding, through its subsidiaries is principally engaged in asset management and investment.

Mr. Zheng, one of our Group's ultimate Controlling Shareholders, is also a shareholder and founder of the Parent Group. While Mr. Zheng and Ms. Zhou are not involved in the day-to-day business operations of our Group, they participate in the business and decision making of our Group through exercising their rights as Controlling Shareholders. In the event of conflicts of interest, Mr. Zheng and Ms. Zhou will abstain from voting and will not, by themselves or through their associates, be present at the relevant shareholder meetings of our Company, such that they would not be able to influence our Shareholders from making decisions on the matters in which they are, or may be, interested.

Apart from the business of our Group, our Controlling Shareholders and their respective close associates are operating other businesses such as property development and management, shopping mall operation, trading of non-ferrous metals and chemical products, asset management, investment,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

manufacture and sale of the raw materials of lithium battery (i.e. anode and cathode materials and electrolyte), new energy vehicle business (i.e. manufacture and sale of power strain control system, operation and promotion of new energy vehicles) and design, research, development and sale of apparel products (together, the “**Retained Businesses**”) through a number of companies controlled by them and the Retained Businesses will not form part of our Group after Listing. Our Controlling Shareholders do not engage in the business of provision of finance leasing, factoring and advisory services and the Retained Businesses are not related to or competing with our business.

As at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates was interested in any business which is, whether directly or indirectly, in competition or is likely to compete with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Non-Competition Agreements in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which is or may be in competition with our businesses.

SPIN-OFF

Pursuant to the Spin-off Circular, the offshore listing of the subsidiaries controlled by the domestic listed companies shall comply with the conditions set out in the Spin-off Circular. The Listing constitutes a spin-off of Shanshan. The Listing was approved by (i) Shanshan’s shareholders at an extraordinary shareholders’ general meeting on 6 June 2016; and (ii) the CSRC on 14 December 2016. As advised by the PRC Legal Advisers, our Company has obtained all necessary approvals and authorization in the PRC in relation to the Listing.

DELINEATION OF BUSINESS

Our Directors are of the view that there is a clear delineation between the Retained Businesses and our business, as a result of which none of the Retained Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the companies in which Mr. Zheng and/or Ms. Zhou has an interest are engaged in any business relating to the provision of finance leasing, factoring and advisory services that competes or may compete with us.

Our Group is principally engaged in the provision of finance leasing, factoring and advisory services, while the companies which are controlled by Mr. Zheng and/or Ms. Zhou and excluded from our Group (the “**Excluded Group**”) are principally engaged in the Retained Businesses, including the Hospital Business (as defined below) and the Lending Agency Business (as defined below).

Intended Medical Equipment Business

We intend to expand our business to include medical equipment business (the “**Intended Medical Equipment Business**”) in the future. The Intended Medical Equipment Business will include the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

provision of medical equipment, staff training and medical data services to hospitals in the PRC. As at the Latest Practicable Date, we had not carried out any feasibility study in respect of the Intended Medical Equipment Business. As such, we may or may not proceed with our intended plan to expand our business to include the Intended Medical Equipment Business.

As at the Latest Practicable Date, the Excluded Group operated a rehabilitation hospital which provides rehabilitation services in the PRC (the “**Hospital Business**”). Our Directors are of the view that the Intended Medical Equipment Business can be clearly differentiated from the Hospital Business operated by the Excluded Group and will not be in competition due to the following reasons:

Different business models — The business model of the Hospital Business is distinguishable from the business model of the Intended Medical Equipment Business. The business model of the Intended Medical Equipment Business is expected to be solely on the provision of medical equipment and other ancillary services such as staff training and medical data services to hospitals in the PRC. The revenue to be generated by our Group in respect of the Intended Medical Equipment Business is expected to be from charging the hospitals management consultancy fees and the profit sharing arrangement with the hospitals. No concrete details of the profit sharing arrangements have been determined yet at this stage. On the other hand, the business model of the Hospital Business focuses on providing rehabilitation services including hospitality and medical treatments to patients and the Excluded Group generated revenue from hospitality and medical fees received from patients.

Different target customers — The target customers of the Intended Medical Equipment Business are expected to be hospitals in the PRC whereas the target customers of the Hospital Business are patients who require rehabilitation services in the PRC.

Lending Agency Business of the Parent Group

As at the Latest Practicable Date, Fullin Jinkong, Shanshan Investment and Shanshan, held 27.7%, 19.91% and 9.89% interest in Shenzhen Shanhitong Internet Financial Service Co., Ltd. (深圳杉匯通互聯網金融服務有限公司), respectively, whose principal business is the provision of lending agency service via an internet platform (the “**Lending Agency Business**”). Our Group is principally engaged in the provision of finance leasing, factoring and advisory services. Our Directors are of the view that the Lending Agency Business can be clearly differentiated from the business operated by our Group and will not be in competition due to the following reasons:

Different business nature— Since our Group provides (i) finance leasing service which involves acquisition of assets and leasing back to customers in return for periodic lease payments; (ii) factoring service which involves (a) the provision of financing to our customer in return for periodic interest payments and transfer of legal title of accounts receivable from our customer to us or (b) purchase of accounts receivable from the seller in return for periodic interest payments from our customer (as buyer); and (iii) advisory services which includes providing market information, product advice, analysis on competition in the industry, solutions for optimising operational workflow, financial management and asset management advice, in return for advisory service fees, the nature of business of our Group is different from Lending Agency Business which involves provision of money lending sourcing services to borrowers and acting as agent for both the lenders and borrowers to finalise the terms of the loans via an internet platform.

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Different business models— Our Group generated revenue from rentals paid by finance leasing customers, periodic interest payments paid by customers or their original debtors for factoring and advisory services fee. The revenue generated by Shenzhen Shanhitong Interest Financial Service Co., Ltd. in respect of the Lending Agency Business comprise management fee paid by the lenders and commission paid by the borrowers.

As such, our Directors believe that there is a clear delineation between the Lending Agency Business and the business of our Group, and are thus of the view that the Lending Agency Business is not in competition with our businesses.

Different business focus of the Group and the Parent Group

After the Listing, we will focus on the business of provision of finance leasing, factoring and advisory services, while the Excluded Group will focus on the Retained Businesses. The Retained Businesses were not injected into our Group, and, as at the Latest Practicable Date, there was no intention to inject the Retained Businesses into our Group in the future, as our Directors are of the view that such businesses neither form part of our core business nor are they in line with our strategy to strengthen our market position in the finance leasing, factoring and advisory services industries.

In view of the foregoing, our Directors believe that the Retained Businesses can be clearly differentiated from our business. The business of the Excluded Group and our Group, by nature of the products manufactured or services provided by each of the Excluded Group and our Group, are different businesses which are independently operated in different markets and/or are aimed at different types of customers. Given the different nature of our business and the Retained Businesses, our Directors do not expect there to be any overlap or competition of the Retained Businesses and our Group's business after Listing. Pursuant to the Non-Competition Agreements, details of which are set out in the paragraph headed "Non-Competition Undertakings" in this section, each of our Controlling Shareholders has undertaken not to engage in activities that compete or may compete with our core business.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Non-Competition Agreements that it/he/she will not, and will procure its/his/her close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with our business from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to it/him/her or any of its/his/her close associates, it/he/she shall, and shall procure that its/his/her close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving a written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and providing the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a Board committee (in each case comprising only of independent non-executive Directors who have no interest in the Competing Business Opportunity (the “**Independent Board**”)) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if it/he/she has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, it/he/she shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In order to promote good corporate governance practices and to improve transparency, the Non-Competition Agreements include the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Non-Competition Agreements by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it/he/she will and will procure their respective close associates to provide in best endeavours all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Non-Competition Agreements;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Non-Competition Agreements in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Non-Competition Agreements in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates have material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Non-Competition Agreements, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

The Non-Competition Agreements will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after completion of the Share Offer.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management Independence

Our Board currently consists of two executive Directors, four non-executive Directors and three independent non-executive Directors. Other than Mr. Zhuang Wei, Mr. Qian Cheng and Ms. Hui Ying, none of our Directors holds any directorship or senior management position in the Excluded Group.

Set out below is a table summarizing the positions held by our Directors, and their positions in the Excluded Group:

Name of Directors	Position with our Company	Directorship or senior management position with the Excluded Group as at the Latest Practicable Date
Mr. Zhuang Wei	Non-executive Director and chairman of the Board	<ul style="list-style-type: none"> Chairman of the board and general manager of Shanshan Chairman and director of a number of subsidiaries of Shanshan
Mr. Li Peng	Executive Director and general manager	None
Mr. Weng Jianxing	Executive Director and risk management director	None
Mr. Qian Cheng	Non-executive Director	<ul style="list-style-type: none"> Director, deputy general manager and the secretary of the board of directors of Shanshan Chairman and/or director and/or general manager of a number of subsidiaries of Shanshan
Ms. Hui Ying	Non-executive Director	<ul style="list-style-type: none"> Head of legal department of Shanshan Director and/or general manager of a number of subsidiaries of Shanshan
Mr. Sun Luran	Non-executive Director	None
Mr. Fung Che Wai Anthony	Independent Non-executive Director	None
Mr. Hon Leung	Independent Non-executive Director	None
Mr. Liu Shengwen	Independent Non-executive Director	None

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Save as disclosed above, none of our Directors or members of the senior management holds any directorship or senior management position in the Excluded Group. Each of Mr. Zhuang Wei, Mr. Qian Cheng and Ms. Hui Ying is a non-executive Director with no executive function in our Group and they are expected to maintain only an advisory role with us. Each of them assumes an executive or management role in the Parent Group and they will not be involved in the day-to-day management or affairs and operations of our business.

In the event that each of Mr. Zhuang Wei, Mr. Qian Cheng and Ms. Hui Ying is required to absent himself/herself from any meeting of the Board on any matter which may give rise to a potential conflict of interest with our Controlling Shareholders, the remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorships of Mr. Zhuang Wei, Mr. Qian Cheng and Ms. Hui Ying in the Parent Group, we believe that the Directors and members of the senior management are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (a) none of the Retained Businesses competes, or is likely to compete, with our core business and the corporate governance measures are in place to manage existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. Zhuang Wei, Mr. Qian Cheng and Ms. Hui Ying in most cases will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;
- (b) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that in the event of conflicts of interest, such as consideration of resolutions in relation to transactions with our Controlling Shareholders, the relevant Directors who are connected with our Controlling Shareholders will abstain from voting and will not be counted towards the quorum of the relevant meeting. Hence the relevant Directors would be unable to influence the Board from making decisions on the matters in which they are, or may be, interested. We believe all of our Directors, including the three independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. See “Directors, Supervisors, Senior Management and Employees — Board of Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors;
- (c) we have three independent non-executive Directors, and certain matters of our Group, including matters referred to in the Non-Competition Agreements, details of which are set out in the paragraph headed “Non-Competition Undertakings” in this section, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of our Controlling Shareholders; and
- (d) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom holds any senior managerial position or directorship position within the Excluded Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We are independent from our Controlling Shareholders as we have our own marketing, product development, administration, finance and human resources teams which operate and are expected to operate separately and independently of our Controlling Shareholders. We also have independent access to suppliers and customers. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Financial Independence

We have established our own finance department with independent financial staff, who are responsible for financial management, accounting treatment, financial reporting, group credit and internal control of our Group. We can make financial decisions independently without interference from our Controlling Shareholders. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. We maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. Our Directors are of the view that we have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons.

As at the Latest Practicable Date, the amounts due to and due from the companies controlled by our Controlling Shareholders, including any guarantees and indemnities provided by such companies for our benefit had been fully settled or released.

As at the Latest Practicable Date, none of the Controlling Shareholders and their respective associates had provided any share pledge, security, guarantee and other financial assistance in favour of our Group.

Based on the foregoing, our Directors are of the view that we are financially independent from our Controlling Shareholders and their respective associates including the Parent Group.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Controlling Shareholders and their respective close associates must not compete with us as provided in the Non-Competition Agreements. Each of our Controlling Shareholders has confirmed that it/he/she fully understands its/his/her obligation to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparations for the Share Offer, we have amended our Articles of Association to comply with the GEM Listing Rules. In particular, our Articles of Association provide

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters involving our Controlling Shareholders (including the Retained Businesses) and our Group and/or matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed to include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe that our independent non-executive Directors possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, and independent opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors, Supervisors, Senior Management and Employees — Board of Directors — Independent Non-Executive Directors”; and
- (d) we have appointed Dongxing Securities as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, Supervisors, substantial shareholders and chief executive officer or those of our subsidiaries (other than the directors, substantial shareholders and chief executive officer of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their respective associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions for our Company under Chapter 20 of the GEM Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Provision of finance leasing service to Longding Huayuan

On 20 December 2015, our Company entered into a finance leasing agreement with Longding Huayuan (as supplemented by supplemental agreements dated 20 December 2015 and 25 May 2016, respectively) (the “**Finance Leasing Agreement**”), pursuant to which our Company agreed to purchase certain elevators and intelligent security system (the “**Equipments**”) from the equipment supplier and lease the Equipments to Longding Huayuan for a term of 35 months commencing from 24 December 2015, being the date of payment of the first instalment of the purchase price of the Equipments from our Company to the equipment supplier, and for a term of 30 months commencing from 23 March 2016, being the date of payment of the second instalment of the purchase price of the Equipments from our Company to the equipment supplier. The total amount payable by Longding Huayuan under the Finance Leasing Agreement is RMB8,516,870, out of which RMB7,520,040 being the repayment of the purchase price of the Equipments paid by our Company to the equipment supplier, approximately RMB144,838.52 being the VAT payable for the finance lease income and the remaining balance of RMB851,991.45 being the finance lease income (exclusive of VAT) payable by Longding Huayuan to our Company under the Finance Leasing Agreement. Upon settlement of the entire amount of finance lease receivable under the Finance Leasing Agreement, the ownership of the Equipments will be transferred to Longding Huayuan.

The finance lease income from Longding Huayuan to our Company for each of the three years ended 31 December 2014, 2015 and 2016 amounted to nil, approximately RMB3,817 and approximately RMB434,672, respectively. Our Directors estimate that the finance lease income being the interest income to be paid by Longding Huayuan to our Company on VAT-exclusive basis for each of the three years ending 31 December 2017, 2018 and 2019 will be RMB326,000, RMB88,000 and nil, respectively. The amount of finance lease income was determined with reference to (i) the credit history of Longding Huayuan; (ii) the interest margin; and (iii) the interest rate that our Group charged the Independent Third Parties in respect of the finance lease arrangement for similar equipments.

Longding Huayuan is a subsidiary of Dayuan Tiandi, a substantial shareholder of our Company, and is therefore a connected person of our Company under the GEM Listing Rules. Accordingly, such transaction will constitute a continuing connected transaction for our Company under Chapter 20 of the GEM Listing Rules upon Listing.

CONNECTED TRANSACTIONS

Since (i) the applicable percentage ratios (other than the profits ratio) calculated with reference to the annual transaction amount contemplated under the Finance Leasing Agreement for each of the three years ending 31 December 2017, 2018 and 2019 is less than 5% and the annual transaction amount for one or more of each of the three years ending 31 December 2017, 2018 and 2019 is less than HK\$3,000,000 and (ii) the transaction contemplated under the Finance Leasing Agreement is conducted on normal commercial terms, the transaction under the Finance Leasing Agreement will be fully exempt from the reporting, announcement and the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, consider that the continuing connected transaction contemplated under the Finance Leasing Agreement and the annual cap for each of the three financial years ending 31 December 2017, 2018 and 2019 is fair and reasonable, and that such transaction has been entered into in the ordinary and usual course of the business of our Group, on normal commercial terms, is fair and reasonable and in the interests of our Group and our Shareholders as a whole.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in note 30 to the Accountants' Report in Appendix I to this prospectus. Save for the provision of the finance leasing services to Longding Huayuan as disclosed above, all related party transactions as referred to in note 30 to the Accountants' Report have ceased and will not continue after the Listing.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The tables below show certain information in respect of members of our Board, Supervisors and senior management^(Note):

DIRECTORS

Name	Age	Date of appointment as Director	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Executive Directors				
Mr. Li Peng (李鵬)	53	28 September 2012	28 September 2012	Executive Director and general manager Responsible for overseeing the daily operation of our Group
Mr. Weng Jianxing (翁建興)	39	9 June 2016	2 April 2013	Executive Director and risk management director Responsible for risk management and asset management
Non-executive Directors				
Mr. Zhuang Wei (莊巍)	50	28 September 2012	28 September 2012	Non-executive Director and chairman of the Board Responsible for the overall corporate strategies and management directions of our Group
Mr. Qian Cheng (錢程)	43	28 September 2012	28 September 2012	Non-executive Director Responsible for providing strategic advice to the business and operation of our Group
Ms. Hui Ying (惠穎)	35	9 June 2016	9 June 2016	Non-executive Director Responsible for providing strategic advice to the business and operation of our Group
Mr. Sun Luran (孫路然)	24	12 April 2016	12 April 2016	Non-executive Director Responsible for assisting the Board to evaluate and improve the internal control and risk management systems of our Group
Independent non-executive Directors				
Mr. Fung Che Wai Anthony (馮志偉)	48	21 April 2017	21 April 2017	Independent non-executive Director Responsible for supervising and providing independent advice to our Board

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of appointment as Director	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Mr. Hon Leung (韓亮)	34	21 April 2017	21 April 2017	Independent non-executive Director Responsible for supervising and providing independent advice to our Board
Mr. Liu Shengwen (劉升文)	40	21 April 2017	21 April 2017	Independent non-executive Director Responsible for supervising and providing independent advice to our Board

SUPERVISORS

Name	Age	Date of appointment as Supervisor	Date of joining our Group	Existing positions
Mr. Tian Xiuju (田秀舉)	29	11 August 2015	1 July 2014	Chairman of our Supervisory Committee
Mr. Liu Bing (劉兵)	44	7 July 2015	15 March 2013	Employee Representative Supervisor
Mr. Zhu Xiaodong (朱曉東)	44	11 August 2015	11 August 2015	Supervisor elected as the representative of the Shareholders

SENIOR MANAGEMENT

Name	Age	Date of appointment as senior management	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Mr. Li Peng (李鵬)	53	28 September 2012	28 September 2012	Executive Director and general manager Responsible for overseeing the daily operation of our Group
Mr. Weng Jianxing (翁建興)	39	2 April 2013	2 April 2013	Executive director and risk management director Responsible for risk management and asset management
Mr. Chun Yong (淳勇)	40	1 November 2012	1 November 2012	Deputy general manager Responsible for strategic development of our Group

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of appointment as senior management	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Ms. Wang Ying (王瑩)	28	20 March 2015	1 January 2013	Board secretary, head of finance department and joint company secretary Responsible for financial management of our Group and the administrative matters of the Board

Note: None of our Directors, Supervisors and senior management is personally related to any other Directors, Supervisor and senior management.

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. According to the Articles of Association, all the Directors shall be elected by the general meeting for a term of three years, and are eligible for re-election upon expiry of their terms. The powers and duties of our Board include, but not limited to convening Shareholders' general meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at general meetings, determining our business and investment plans, formulating our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Executive Directors

Mr. Li Peng (李鵬), aged 53, was appointed as a Director on 28 September 2012. He has been responsible for overseeing the daily operation of our Group since he joined us as a Director and general manager in September 2012 and November 2015, respectively. Mr. Li has extensive legal knowledge and over five years of experience in corporate management. Mr. Li joined the predecessor of Tian Yuan Law Firm (天元律師事務所) in October 1993 where he focused on mergers and acquisitions till he left as a partner in September 2010. From October 2010 to September 2013, Mr. Li successively served as the vice president and the chief executive officer in Credit Oriented Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the overall management of this company. From September 2012 to May 2014, Mr. Li served as a director in China Lihe Company Limited (力合股份有限公司), an investment holding company listed on the Shenzhen Stock Exchange (stock code: 000532). He has served as the chairman of Fullin Jinkong, an investment holding company where he has been responsible for overseeing the general management and of Shenzhen Shanhuotong Internet Financial Service Co., Ltd. ("Shenzhen Shanhuotong"), an online lending agent since June 2013 and July 2014, respectively. Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC in July 1984.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Weng Jianxing (翁建興), aged 39, was appointed as a Director on 9 June 2016. He is also our risk management director and responsible for risk management and asset management of our Group. Mr. Weng joined our Group as the head of risk management department in April 2013 and was promoted as the risk management director in April 2015. Mr. Weng has more than seven years of experience in financial products and risk management. From September 2009 to March 2011, Mr. Weng was a product manager in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the development of financial products. From March 2011 to March 2013, he served as the risk control manager of CIMC Financial Leasing Company Limited (中集融資租賃有限公司), a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. He obtained his bachelor's degree in transportation, master's degree in corporate management and doctor's degree in business administration from Changsha Transportation Institute (長沙交通學院), Changsha University of Science & Technology (長沙理工大學) and Central South University (中南大學) in the PRC in June 2002, June 2005 and November 2011, respectively.

Non-executive Directors

Mr. Zhuang Wei (莊巍), aged 50, was appointed as a Director on 28 September 2012. Mr. Zhuang is the chairman and responsible for the overall corporate strategies and management directions of our Group. Before he joined the Parent Group in March 2007, he worked in a PRC conglomerate from July 1993 to April 2000, an investment company from April 2000 to March 2003 and an IT company from March 2003 to March 2007 successively. He was responsible for investment management in the PRC conglomerate and general management in the other two companies. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of this company. From April 2008 to March 2009, Mr. Zhuang served as the director and the general manager of Shanshan. From March 2009 to September 2012, Mr. Zhuang served as the chairman of Shanshan. Since September 2012, he has served as the chairman and general manager of Shanshan. Besides, he also serves as the chairman and director of a number of subsidiaries of Shanshan. Mr. Zhuang obtained his doctor's degree in political economy from Peking University (北京大學) in the PRC in July 2000.

Mr. Qian Cheng (錢程), aged 43, was appointed as a Director on 28 September 2012. He is responsible for providing strategic advice to the business and operation of our Group. From March 1998 to January 2001, Mr. Qian is a staff in Shanshan Group, where he was responsible for administration and human resources. From February 2001 to May 2002, Mr. Qian is a staff in Shanshan Holding, where he was responsible for administration and human resources. From March 2006 to June 2009, Mr. Qian is a director of Zhongke Yinghua High-tech Company Limited (中科英華高技術股份有限公司), now known as Nuode Investment Co., Ltd. (諾德投資股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600110) and primarily engaged in the business of copper foil, lithium battery materials, investment and import and export, where he was responsible for overseeing the general operation of the company. From March 2007 to March 2008, Mr. Qian is the office director of Shanshan Holding, where he was responsible for administration and human resources. From April 2008 to March 2010, Mr. Qian served as a deputy general manager and secretary of the board of Shanshan, where he was mainly responsible for assisting the general manager

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and coordinating communication between company and investors. Since March 2010, he has served as a director, deputy general manager and secretary of the board of directors of Shanshan where he is responsible for assisting the general manager and coordinating communication between investors and company. Besides, he also serves as the chairman and/or director and/or general manager of a number of subsidiaries of Shanshan. Mr. Qian obtained his bachelor's degree in international relations and public affairs from Fudan University (復旦大學) in the PRC in July 1995.

Ms. Hui Ying (惠穎), aged 35, was appointed as a Director on 9 June 2016. She is responsible for providing strategic advice to the business and operation of our Group. Prior to joining us, from March 2005 to September 2007, Ms. Hui was a legal assistant in Global Law Office (環球律師事務所), where she focused on initial public offering, foreign direct investment and mergers & acquisitions. From December 2007 to September 2010, she was a legal consultant in Herbert Smith, where she focused on foreign direct investment and mergers & acquisitions. Ms. Hui has served as the head of legal department, supervisor, and assistant to general manager of Shanshan since November 2010, May 2014 and January 2015, respectively. She is mainly responsible for daily legal work and investment projects for Shanshan and a number of its subsidiaries. Moreover, she also serves as the director and/or general manager of a number of subsidiaries of Shanshan. Ms. Hui obtained her lawyer's practicing certificate issued by the Ministry of Justice P.R.C in February 2008. She obtained her bachelor's degree in law and master's degree in commercial and corporate laws from Ningbo University (寧波大學) in the PRC and University College of London in the United Kingdom in June 2003 and November 2004, respectively.

Mr. Sun Luran (孫路然), aged 24, was appointed as a Director on 12 April 2016. He assumes an advisory role in our Board in view of his knowledge in finance, understanding in the capital and financial market and financial risk management which will assist the Board to evaluate and improve the internal control and risk management systems of our Group. He joined Shenzhen Shanhuotong Internet Financial Service Co., Ltd. (深圳杉匯通互聯網金融服務有限公司) as risk control manager in May 2016 and has been involved in risk management related work shortly after the graduation from the University of Huddersfield in the United Kingdom in June 2014 and March 2016, where he received his bachelor's degree in business management and master's degree in finance, respectively. Save for being a Director, Mr. Sun has no relationship with any member of our Group, other Directors and our Controlling Shareholders.

Independent non-executive Directors

Mr. Fung Che Wai Anthony (馮志偉), aged 48, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to our Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company

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and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) now known as Zall Group Ltd. (卓爾集團股份有限公司), a property developer listed on the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Stock Exchange (stock code: 0295), where he was responsible for overall financial operation, company secretarial matters and investor relations. From September 2014 to March 2017, Mr. Fung was an independent supervisor of Chery HuiYin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was responsible for monitoring the company's operations as a member of the board of supervisors.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively. Mr. Fung obtained his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

Mr. Hon Leung (韓亮), aged 34, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to our Board. Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of that company. Mr. Hon was qualified as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in November 2012. Mr. Hong obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文), aged 40, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to our Board. Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. Since November 2014, Mr. Liu has been the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since September 2015, Mr. Liu has been an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code 300197). Mr. Liu was

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qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000. Mr. Liu obtained master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

SUPERVISORY COMMITTEE

As reflected in our Articles of Association, the Company Law requires a joint stock limited company to establish a supervisory committee. Our Supervisory Committee is responsible for monitoring our financial matters and overseeing the actions of our Board and our management personnel. Our Supervisory Committee consists of three Supervisors. Two of the Supervisors are elected by our Shareholders in the Shareholders' meeting as representatives of the Shareholders. The other one Supervisor is elected by the employees. Supervisors serve for a term of three years, after which they may be re-elected. An elected Supervisor cannot concurrently hold the position of Director or other senior executive. The principal functions and powers conferred on our Supervisory Committee include attending Board meetings, examining our financial affairs and information, inspecting the balance sheets, profit and loss accounts, business reports, dividend distribution proposals and other financial information proposed at Shareholders' general meetings by our Directors from time to time and overseeing the actions of our Board and other senior management and ensuring they are properly carrying out their duties. Adoption of any resolution proposed at a meeting of the Supervisory Committee requires the approval of two-thirds of our Supervisors.

Mr. Tian Xiuju (田秀舉), aged 29, was appointed as the chairman of our Supervisory Committee on 11 August 2015. Mr. Tian joined our internal control department on 1 July 2014. Prior to joining us, from July 2012 to June 2014 Mr. Tian successively served as an internal control specialist in Shanshan, where he was responsible for internal control matters. Mr. Tian has also served as a supervisor of Fullin Jinkong, Shenzhen Shanhuotong and Shannong New Agriculture Financial Services (Shenzhen) Co., Ltd. (杉農新農業金融服務(深圳)有限公司), a company primarily engaged in providing financial agency and consulting services since July 2014, July 2014 and August 2015, respectively. Mr. Tian obtained his bachelor's degree in finance from Anhui University of Finance & Economics (安徽財經大學) in the PRC in July 2012.

Mr. Liu Bing (劉兵), aged 44, was appointed as an employee representative Supervisor on 7 July 2015. Mr. Liu joined our Group on 15 March 2013. From August 1995 to December 2007, Mr. Liu held several positions including deputy office director in Linli Development Reform and Price Bureau (臨澧縣發展改革物價局), where he was responsible for the price determination for electricity, water and petroleum. From May 2009 to December 2010, he was the head of audit department of Shenzhen Shidu Industrial Company Limited (深圳市世都實業有限公司), a company primarily engaged in the sales of garments, where he was responsible for internal audit. From December 2010 to May 2012, he was a risk manager in Shenzhen Zhongkezhi Financing Guarantee Company Limited (深圳市中科智融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for due diligence and assets valuation. From June 2012 to March 2013, he was the manager of the department of risk management in Shenzhen Wanfeng Weiye Financing Guarantee Company Limited (深圳市萬豐偉業融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for establishing the risk management system. Mr. Liu obtained a graduation certificate in auditing from Hunan University of Commerce (湖南商學院) in the

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PRC in June 1995. In addition, he obtained a price appraiser qualification certificate from the Personnel Department of Hunan Province (湖南省人事廳) in the PRC in April 2001^{Note}. In December 2011, Mr. Liu also became a non-practising member of the Chinese Institute of Certified Public Accountants of the PRC.

Mr. Zhu Xiaodong (朱曉東), aged 44, was appointed as a Supervisor elected as the representative of the Shareholders on 11 August 2015. Since July 2003, he has been the chief financial officer of Dayuan Tiandi, a property developer, where he has been responsible for the financial management of this company. Mr. Zhu obtained bachelor's degree in law from Tianjin Normal University (天津師範大學) in the PRC in July 2001.

SENIOR MANAGEMENT

Mr. Li Peng (李鵬), for details of Mr. Li Peng's biography, see the paragraph headed "Board of Directors — Executive Directors" in this section.

Mr. Weng Jianxing (翁建興), for details of Mr. Weng Jianxing's biography, see "Board of Directors — Executive Directors" above.

Mr. Chun Yong (淳勇), aged 40, is our deputy general manager and responsible for strategic development of our Group. He is responsible for strategic development of our Group. He joined our Group as a deputy general manager in November 2012. He has more than eight years of experience in corporate finance and risk management. From February 2003 to July 2011, Mr. Chun served as a risk management controller in Credit Orience Group Ltd. (中國中科智擔保集團股份有限公司), where he was mainly responsible for risk management and financial management. Mr. Chun obtained his bachelor's degree in economic law and economics from Zhongnan University of Economics and Law (中南財經大學) in the PRC in June 1999.

Ms. Wang Ying (王瑩), aged 28, is our Board secretary, the head of finance department and a joint company secretary. Ms. Wang joined our finance department as an accountant in January 2013 and has been responsible for financial management of our Group and the administrative matters of the board. She has more than five years of experience in financial management. Prior to joining us, from March 2011 to December 2012, Ms. Wang served as a financial executive in Shanshan where she was responsible for preparing financial reports. She obtained her bachelor's degree in financial management from China University of Geosciences (中國地質大學) in the PRC in June 2011.

Save as disclosed above in this section, none of the Directors or Supervisors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules, and none of the Directors, Supervisors and senior management members acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years.

Note: As advised by our PRC Legal Advisers, pursuant to the Decision of the State Council on Cancelling a Group of Professional Qualification Licensing and Certification Items (《國務院關於取消一批職業資格許可和認定事項的決定》) (Guo Fa [2016] No. 35), the PRC government abolished the licensing and certification of price appraiser professional qualification in June 2016.

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JOINT COMPANY SECRETARIES

Ms. Ng Wing Shan (吳詠珊) was appointed as the joint company secretary of our Company on 1 September 2016. She is an assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, Ms. Ng worked in KCS Hong Kong Limited for the period from December 2006 to October 2014. She has over 10 years of professional experience in the company secretarial field and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Ms. Wang Ying (王瑩) was appointed as the joint company secretary of our Company on 1 September 2016. For further information regarding Ms. Wang Ying, see the paragraph headed “Senior Management” in this section.

COMPLIANCE OFFICER

Mr. Li Peng is the compliance officer of our Company. For details of Mr. Li Peng’s biography, see the paragraph headed “Board of Directors — Executive Directors” in this section.

BOARD COMMITTEES

Audit Committee

We established an audit committee on 25 April 2017. The terms of reference are in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. Fung Che Wai Anthony (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Hon Leung and Mr. Liu Shengwen. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We established a remuneration committee on 25 April 2017. The terms of reference are in compliance with Rule 3.25 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Liu Shengwen and Mr. Hon Leung, and one of whom is a non-executive Director, being Mr. Qian Cheng. The remuneration committee is chaired by Mr. Liu Shengwen. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the

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establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments were linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We established a nomination committee on 25 April 2017. The terms of reference are in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of three members, two of whom are independent non-executive Directors, being Mr. Hon Leung and Mr. Fung Che Wai Anthony, and one of whom is a non-executive Director, being Mr. Zhuang Wei. Two of the members are our independent non-executive Directors. The nomination committee is chaired by Mr. Zhuang Wei. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

COMPENSATION OF EMPLOYEES

For each of the three years ended 31 December 2014, 2015 and 2016, we incurred employee costs (including Directors remuneration) of approximately RMB11,890,558, RMB12,671,815 and RMB15,938,328, respectively, representing approximately 22.9%, 18.2% and 21.0% of our revenue during those periods.

As required by PRC regulations as well as compulsory rules of the PRC local governments, we participate in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions. We are required under PRC laws to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement, up to a minimum amount specified by the relevant local governments from time to time. During the Track Record Period, the total amount of contributions we made for such social welfare schemes in accordance with the relevant PRC laws for each of the three years ended 31 December 2014, 2015 and 2016 was approximately RMB1,637,642, RMB1,586,247 and RMB2,413,226, respectively.

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COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our executive Directors, Supervisors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and other short-term benefits.

Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For each of the three years ended 31 December 2014, 2015 and 2016, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our Directors and Supervisors were approximately RMB341,290, RMB543,609 and RMB1,695,208, respectively.

For each of the three years ended 31 December 2014, 2015 and 2016, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our senior management were approximately RMB783,745, RMB998,371 and RMB720,611, respectively.

The aggregate amount of remuneration including salaries and other short-term benefits in kind which was paid to our five highest paid individuals including Directors and Supervisors for each of the three years ended 31 December 2014, 2015 and 2016 was approximately RMB1,712,756, RMB2,198,956 and RMB2,678,992, respectively.

No remuneration was paid by our Group to the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of each of the three years ended 31 December 2014, 2015 and 2016. None of our Directors waived any remuneration for each of the three years ended 31 December 2014, 2015 and 2016.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors and Supervisors for the year ending 31 December 2017 is estimated to be no more than RMB2,046,243.

COMPLIANCE ADVISER

We have appointed Dongxing Securities as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) in relation to the publication of any regulatory announcement, circular or financial report;
- (b) in relation to a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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- (c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the GEM Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately prior to and following the completion of the Share Offer (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), the following persons have interests or short positions in our Shares or underlying Shares which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held in the relevant class of Shares immediately following the completion of Share Offer		Shares held in the total share capital of the Company immediately following the completion of the Share Offer	
		Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Shanshan HK ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Beneficial owner	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
Shanshan ⁽²⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Shanshan Group ⁽³⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Ningbo Yonggang ⁽⁴⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Shanshan Holding ⁽⁵⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Qinggang Investment ⁽⁶⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held in the relevant class of Shares immediately following the completion of Share Offer		Shares held in the total share capital of the Company immediately following the completion of the Share Offer	
		Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Mr. Zheng ⁽⁷⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Ms. Zhou ⁽⁷⁾	Interest of a controlled corporation	149,500,000	100%	149,500,000	41.60%
		Unlisted Foreign Shares (L)		Unlisted Foreign Shares (L)	
	Interest of a controlled corporation	2,000,000	1.67%	2,000,000	0.55%
		Domestic Shares (L)		Domestic Shares (L)	
Dayuan Tiandi ⁽⁸⁾	Beneficial owner	80,000,000	66.67%	80,000,000	22.26%
		Domestic Shares (L)		Domestic Shares (L)	
Mr. Zhao Dehua (趙得驊) ⁽⁸⁾	Interest of a controlled corporation	80,000,000	66.67%	80,000,000	22.26%
		Domestic Shares (L)		Domestic Shares (L)	
Mr. Gong Liang (貢亮) ⁽⁸⁾	Interest of a controlled corporation	80,000,000	66.67%	80,000,000	22.26%
		Domestic Shares (L)		Domestic Shares (L)	

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884) and is the sole shareholder of Shanshan HK. Shanshan is also indirectly interested in 80% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which is the general partner of Nantong Shanshan. By virtue of the SFO, Shanshan is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (3) Shanshan Group holds 23.79% of the registered share capital of, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (4) Ningbo Yonggang is interested in 62.96% of the registered capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

SUBSTANTIAL SHAREHOLDERS

- (5) Shanshan Holding directly holds approximately 16.09% of the registered share capital of Shanshan and indirectly holds approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holdings is interested in 96.93% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 17.14% and indirectly holds 62.96% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (6) Qinggang Investment owns approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (7) Qinggang Investment is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, Mr. Zheng and Ms. Zhou are deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (8) Dayuan Tianyi is owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang are deemed to be interested in the Shares held by Dayuan Tiandi.

If the Offer Size Adjustment Option is fully exercised, Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng, Ms. Zhou, Dayuan Tiandi, Mr. Zhao Dehua and Mr. Gong Liang will be interested in approximately 40.10%, 40.64%, 40.64%, 40.64%, 40.64%, 40.64%, 21.46%, 21.46% and 21.46% of the total issued share capital of our Company.

Except as disclosed in this prospectus, our Directors are not aware of any person who will immediately prior to and following the completion of the Share Offer (assuming the Offer Size Adjustment Option is not exercised), have interests or short positions in any Shares or underlying Shares, which fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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As at the date of this prospectus, the registered share capital of our Company is RMB269,500,000, divided into 269,500,000 Shares with a nominal value of RMB1.00 each, comprising 120,000,000 Domestic Shares and 149,500,000 Unlisted Foreign Shares.

Assuming the Offer Size Adjustment Option is not exercised, the share capital of our Company immediately after the Share Offer will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
120,000,000	Domestic Shares ⁽¹⁾	33.40%
149,500,000	Unlisted Foreign Shares ⁽²⁾	41.60%
<u>89,840,000</u>	H Shares	<u>25.00%</u>
<u>359,340,000</u>		<u>100.00%</u>

Assuming the Offer Size Adjustment Option is exercised in full, the share capital of our Company immediately after the Share Offer will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
120,000,000	Domestic Shares ⁽¹⁾	32.19%
149,500,000	Unlisted Foreign Shares ⁽²⁾	40.10%
<u>103,316,000</u>	H Shares	<u>27.71%</u>
<u>372,816,000</u>		<u>100.00%</u>

Notes:

- (1) These Domestic Shares are held by existing Shareholders other than Shanshan HK and may be converted into H Shares. See paragraph headed “Conversion of Our Unlisted Shares into H Shares” in this section.
- (2) These Unlisted Foreign Shares are held by Shanshan HK and may be converted into H Shares. See paragraph headed “Conversion of Our Unlisted Shares into H Shares” in this section.

PUBLIC FLOAT REQUIREMENTS

Rule 11.23 of the GEM Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that (i) at least 25% of the issuer’s total issued shares must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all

SHARE CAPITAL

regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued shares and must have an expected market capitalization at the time of listing of not less than HK\$30 million.

Based on the information in the above tables, our Company will meet the public float requirement under the GEM Listing Rules after the completion of the Share Offer (whether or not the Offer Size Adjustment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Share Offer becomes unconditional and is completed.

OUR SHARES

Our Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Unlisted Foreign Shares may be subscribed for in currency other than RMB. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares and Unlisted Foreign Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC and foreign investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares and Unlisted Foreign Shares in RMB.

Our Promoters hold approximately 200,000,000 existing Shares as promoter shares (as defined in the Company Law). Under the Company Law, promoter shares may not be sold within a period of one year from 10 September 2015, being the date on which we were organised as a joint stock limited company. This lock-up period was expired on 10 September 2016. In compliance with the requirements of CSRC, all existing Shareholders have undertaken that they will not, within 12 months from the Listing Date, transfer or engage any other person to manage such Shares held by them before the Share Offer. Upon the approval of the State Council or its authorized regulatory departments and with the consent of the Stock Exchange, the Domestic Shares and Unlisted Foreign Shares may be converted into H Shares.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix III to this prospectus, our Domestic Shares, Unlisted Foreign Shares and H Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares or Unlisted Foreign Shares

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is subject to such restrictions as PRC laws may impose from time to time. Save for the Share Offer, we do not propose carrying out any public or private issue or to place securities simultaneously with the Share Offer or within the next six months from the Listing Date. As at the Latest Practicable Date, we had not approved any share issue plan other than the Share Offer.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

We have three classes of ordinary shares, Domestic Shares, Unlisted Foreign Shares and H Shares. Our Domestic Shares and Unlisted Foreign Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Share Offer, all unlisted Shares are Domestic Shares held by existing Shareholders other than Shanshan HK and Unlisted Foreign Shares held by Shanshan HK. Therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares and Unlisted Foreign Shares. The term “unlisted Shares” is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws. Given the above, our PRC Legal Advisers have advised us that the use of the term “unlisted Shares” in the Articles of Association does not contravene and are not inconsistent with any PRC laws and regulations (including the Special Regulations and Mandatory Provisions).

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Domestic Shares and Unlisted Foreign Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares and Unlisted Foreign Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong. No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

As confirmed by our PRC Legal Advisers, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of Domestic Shares and Unlisted Foreign Shares.

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Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares and Unlisted Foreign Shares will be withdrawn from the Domestic Shares register and Unlisted Foreign Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share Register will be conditional on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Stock Exchange complying with the GEM Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

See “Risk Factors — Risks Relating to the Share Offer and our H Shares — Future sale or major divestment of H Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our H Shares.” To our Director’s knowledge, as at the Latest Practicable Date, none of our Shareholders proposed to convert any of the Domestic Shares and Unlisted Foreign Shares held by them into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

In compliance with the requirements of CSRC, all existing Shareholders have undertaken that they will not, within 12 months from the Listing Date, transfer or engage any other person to manage such Shares held by them before the Share Offer.

See “Underwriting — Undertakings Pursuant to the Underwriting Agreement — Undertakings by the Controlling Shareholders” for details of the lock-up undertaking given by the Controlling Shareholders under the Underwriting Agreement.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisers, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon Listing of its H Shares, is eligible to enlarge its share capital by issuing either new H Shares, new Domestic Shares or new Unlisted Foreign Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the GEM Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favour of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders’ meeting.

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REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days after listing of its overseas-listed-foreign-invested shares and provide a written report to the CSRC regarding the centralised registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see "Variation of Rights of Existing Shares or Class of Shares", "Ordinary and Special Resolutions — Majority Required" and "Voting Rights (Generally, on a Poll and Right to Demand a Poll", in "Appendix III — Summary of the Constitution of the Company and the PRC Company Law" to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our financial information, including the notes thereto, as set out in “Appendix I — Accountants’ Report” to this prospectus. The financial information has been prepared in accordance with HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in “Risk Factors”.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a financial services company with a focus on providing equipment-based finance leasing, commercial factoring and advisory services to our customers in the PRC. We provide customised finance leasing services based on the industry of, and equipment required by, our customers, and our finance lease offering comprises direct finance lease, new sale-leaseback and used sale-leaseback transactions.

We established Fullin Factoring in Tianjin City to commence our factoring business in 2013. We provide financing and accounts receivable management services to our customers in return for (i) interest and management fee income and (ii) transfer of legal title of accounts receivable from our customer to us.

We derive advisory service fee income for providing customised advisory services to our customers. Our advisory services include providing market information (such as analysis of equipment suppliers), product advisory, analysis on competition in the industry, optimising operational workflow, financial management and asset management advice, and management and collection services for the customer’s accounts receivable.

Our total revenue amounted to RMB51.9 million, RMB69.6 million and RMB76.0 million for the years ended 31 December 2014, 2015 and 2016, respectively, representing a CAGR of 21.0%.

Our profit and total comprehensive income for the year amounted to RMB4.8 million, RMB7.1 million and RMB16.2 million for the years ended 31 December 2014, 2015 and 2016, respectively, representing a CAGR of 83.7%.

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For further details about our business and operations, please see “Business”.

BASIS OF PRESENTATION

The financial information set out in the Accountants’ Report has been prepared in accordance with HKFRSs, which include all standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The financial information also complies with the applicable requirements of the Companies Ordinance and the GEM Listing Rules.

In preparing this financial information, our Group has adopted all the new or revised HKFRSs and amendments, which are effective for the accounting period beginning on or after 1 January 2016 throughout the Track Record Period.

On 23 April 2014, our Company acquired 100% equity interests of Beijing Medical from a fellow subsidiary, Shanshan Investment, at a cash consideration of RMB32.1 million. Immediate prior to and after the acquisition, Beijing Medical and our Company were under the control of an intermediate holding company, Shanshan. The acquisition was accounted for under the principles of merger accounting in accordance with Accounting Guideline 5 Merger accounting for Common Control Combinations issued by HKICPA. Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of our Group for the year ended 31 December 2014 have included the results, changes in equity and cash flows of Beijing Medical from 1 January 2014 as if the combination had occurred from the date when the intermediate holding company first obtained control.

On 5 June 2015, acquisition agreements were entered into among Dayuan Tiandi and Longyou Baosheng, the shareholders of our Company and Shanshan, the intermediate holding company of our Group, (collectively referred to as the “**Vendors**”) and our Company. Pursuant to the acquisition agreement, our Company agreed to acquire the remaining 49% equity interests in Fullin Factoring from the Vendors at a consideration of RMB33.1 million (the “**Acquisition**”).

The Acquisition was completed on 7 September 2015 and resulted in an increase in equity interests of 49% in Fullin Factoring, which constitute a change in our Group’s ownership interest in a subsidiary that does not result in a change of control. The Acquisition was accounted for as an equity transaction during the year ended 31 December 2015 accordingly. Any difference between the amount by which non-controlling interests were adjusted and the fair value of the consideration paid was recognised directly in equity attributable to owners of our Company.

The financial information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out in “Appendix I — Accountants’ Report” to this prospectus. The financial information is presented in RMB, which is the same as the functional currency of our Company and subsidiaries.

For more information on the basis of preparation of our financial information included herein, please see “Appendix I — Accountants’ Report” to this prospectus.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be affected by a number of factors, including those set out below:

China's economic environment

Our results of operations and financial condition are significantly affected by China's economic environment. China has experienced rapid economic growth over the past three decades largely as a result of the PRC government's extensive economic reforms, which have been focused on transforming China's centrally-planned economy into a more market-based economy. According to the research conducted by CIC with the publicly available data collected from the IMF, China's nominal GDP grew from RMB48.6 trillion in 2011 to RMB75.0 trillion in 2016, and fixed asset investments increased from RMB31.1 trillion in 2011 to RMB60.6 trillion in 2016, with a CAGR of 14.3%. Meanwhile, equipment and tools spending (excluding agriculture) also increased from RMB6.4 trillion to RMB12.1 trillion from 2011 to 2016 with a CAGR of 13.8%. The growth of China's economy has led to increased corporate activity and investment, which has benefited the business of finance leasing and factoring. In particular, SMEs have been a major driver of the economic growth in China. With massive equipment and tools demand arising from SMEs' manufacturing and restructuring needs, finance leasing and factoring markets are expected to sustain high growth for the next few years.

As SMEs are traditionally underserved by conventional banks and financial institutions, SMEs present growth opportunities for financial services companies in general, including companies such as ours. During times of favourable economic conditions, businesses that wish to expand look to companies such as ours to help finance and expand their businesses. Conditions in the PRC economic environment also impact rates of payment delinquency, default rates and the values of assets underlying leases.

Notwithstanding the continued overall growth of China's economy, there was a slowdown in the overall growth rates in 2013 which has continued through 2014. As a result of this extended period of depressed economic growth, many SMEs (including our customers) have been significantly affected due to tightened policies associated with bank financing alongside their own challenges arising from a decrease in revenues and overall profitability as well as a general lack of liquidity to repay debts and other obligations.

Government regulations and policies

Major parts of the PRC financial services industry are principally regulated by MOFCOM, and/or the CBRC, depending on business scope and whether an entity is foreign-invested, among other factors. We are primarily regulated by MOFCOM as we have been approved by MOFCOM as a "foreign-invested finance leasing company". Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC financial

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services industry, including the extent and scope to which we can engage in certain businesses or activities. In particular, MOFCOM has promulgated the Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the “Measures”) on 3 February 2005 to regulate the operation of foreign-invested leasing businesses and finance leasing businesses. Under the Measures, we are allowed to engage in the finance leasing business, the purchase of assets relating to our leases in and outside China, the repair, maintenance and disposal of assets underlying our leases, lease-related consulting, the provision of guarantees and other commercial activities as approved by MOFCOM. Any changes in such policies or new policies in general by the PRC government may cause us to adjust or change our business practices or our business model in general, which may impact our business and results of operations. In addition, changes in policies or any new policies that are particular to any of the target industries we serve may also impact the economic or operating environment of our customers, and as a result affect our business and results of operations.

The Measures also require that the risky assets of a foreign-invested finance leasing company, which are determined by the total amount of residual assets after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times the company’s net assets. Any subsequent development, such as more stringent governmental supervision, controls and policies regarding the composition of risky assets in our asset portfolio, may also affect our business and results of operations.

Interest rate environment

Our results of operations depend to a great extent on our net interest income from our finance leasing and factoring business, which is our interest income minus our interest expense. The interest rate we charge our customers is an important factor that influences our revenue. The interest rate charged to a customer is primarily dependent upon the risk profile of the customer, the value of the assets underlying the lease over time and the characteristics of the customer’s industry.

In addition, our net interest income is impacted by our interest expense, which is primarily determined by market interest rates. Our interest expense is largely determined by the interest rates that we are charged for our interest-bearing bank borrowings, which are sensitive to many factors over which we have no control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. In recent years, as part of the overall reform of the banking system, the People’s Bank of China (the “PBOC”) has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans which are loaned by commercial banks are subject to minimum rates based on the PBOC benchmark interest rates, but generally are not subject to any maximum rates. Adjustments to PBOC benchmark interest rates have impacted the average market interest rates for loans. Although the interest rates charged for all of our bank borrowings are set on a fixed basis, they were subject to fluctuation and amendment each time when we draw down from our banking facilities and possibly be adjusted should PBOC benchmark interest rates fluctuate.

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Moreover, our net interest income is also impacted by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings to maintain our net interest spread and our net interest margin. Our ability to correspondingly adjust the interest rates of our lease contracts in a timely manner, or at all, affects our net interest spread and net interest margin, and as a result, impacts our profitability and our results of operations. The PRC Contract Law includes a general mandate that the interest rate charged to a customer under a finance leasing contract shall take into account the purchase cost of the property or asset underlying a lease contract and should allow for a reasonable profit margin for the lessor, except as otherwise agreed upon by the contracting parties. Having said this, our practice to adjust interest rates charged to customers with reference to PBOC benchmark interest rates fully complies with PRC Contract Law. Furthermore, there are no regulatory restrictions relating to the leasing or factoring interest rates charged by us to our customers under relevant PRC laws, regulations and rules. However, we may not be able to shift increased interest costs to our customers because of competitive forces.

Funding capabilities

One of the major factors in determining the success of our efforts to expand our operations is whether we can sustain and strengthen our funding capacities. As our services depend upon financing and access to cash, any expansion of our business will need to be supported with additional funding from various sources. Our total interest-earning assets, primarily representing net finance lease receivables and factoring receivables, amounted to RMB567.2 million, RMB781.6 million and RMB909.1 million as at 31 December 2014, 2015 and 2016, respectively, while our interest-bearing liabilities, primarily representing interest-bearing bank and other borrowings and amount due to an intermediate holding company (i.e. Shanshan), collectively amounted to RMB314.0 million, RMB101.3 million and RMB500.9 million as at 31 December 2014, 2015 and 2016, respectively. During the Track Record Period, we funded our finance leasing and factoring business primarily via bank and other borrowings and amount due to an intermediate company.

We intend to keep a diversified portfolio of funding sources and actively seek opportunities to lower our financing costs to a further extent along with our business expansion. During the Track Record Period, our secured interest-bearing loans bore the interest rates ranging from 4.25% to 6.63% per annum, our other borrowings bore the interest rates ranging from 7.68% to 9.00% per annum, our amount due to an intermediate company carried an interest rate fixed at 4.35% per annum, and our entrusted loan carried an interest rate fixed at 5.70% per annum.

As we do not rely on any single source of funding and regularly adjust our internal and external borrowings with our operational needs, we have been able to maintain our levels of total borrowing in step with the expansion of our business. After the Listing, as we become a public company, we expect to have better access to capital markets and therefore enhance our funding capabilities. We will leverage the opening up of China's financial markets to explore further financing options under appropriate market conditions where suitable opportunities arise. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over

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which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments such as these that impact our ability to sustain our funding or to expand our business would impact our business and profitability.

Asset quality and provisioning policy

The quality of our interest-earning assets, primarily comprising our finance lease and factoring receivables, is affected by the industries and the customers we select. We believe that our focus on our five major target industries for finance leasing and three major target industries for factoring, careful selection and vetting process in choosing our customers help to minimize our credit risk and ensure our asset quality. We closely monitor our non-performing assets and provide for impairment if we determine there is little likelihood of future payment. As a result of our stringent management and controls to ensure our non-performing asset quality, our provision for finance lease receivables amounted to RMB2.6 million, RMB14.2 million and RMB15.0 million and our provision for factoring receivables amounted to RMB0.3 million, RMB2.9 million and RMB1.6 million as at 31 December 2014, 2015 and 2016, respectively. We believe that our provisions during the Track Record Period were adequate for a number of reasons. First, we generally provide our customers with net funding of not more than: (i) 90% of the net value of the lease asset for our finance lease transactions; and (ii) 80% of the net value of the accounts receivable for our factoring transactions. Second, we typically require our customers to provide us with collateral and guarantees to secure their repayment obligations. Such security include: (i) a deposit which typically ranges from 5% to 20% of the purchase price of the lease asset; (ii) title to the lease asset and/or accounts receivable; and (iii) joint and several guarantees from the customer's legal representative and other persons. For details on the total value of security obtained in respect of our non-performing finance lease receivables and factoring receivables during the Track Record Period, see "Business — Asset Quality/Policy for Provision of Impairment". If our customers default on their payments to us, we have the right to immediately and unilaterally take enforcement action against such security. For each of the years ended 31 December 2014, 2015 and 2016, our aggregate total coverage ratio for our outstanding finance lease receivables was 1.78, 2.11 and 1.88, respectively. For further details on our security and coverage ratio, see "Business — Our Business Model and Source of Revenue — (A) Finance Leasing — Lease Assets and Collateral" and "Business — Our Business Model and Source of Revenue — (B) Factoring — Factoring Assets and Collateral". Third, after taking into account our provision and security deposits received (if any), we did not record any gains or losses in connection with the sale of five non-performing finance leases receivables assets, and one non-performing factoring receivable asset, in May 2016. For details on these sales of non-performing assets, see "Business — Asset Quality/Policy for Provision of Impairment". The amount of non-performing assets may fluctuate in the future due to substantial growth in our interest-earning assets portfolio during the Track Record Period and/or deterioration in the quality of our interest-earning assets portfolio. Factors which are not under our control, such as macroeconomic developments which affect the business and operating environment of our customers, may affect the level of impairment in our current portfolio of interest-earning assets or the level of new interest-earning assets that become impaired in the future.

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We assess our provisions based on non-performing receivables on an individual basis and our performing receivables on a collective basis. Based on such assessments, we set aside provisions for impairment losses for both our performing and non-performing assets. The amount of these provisions is determined on the basis of our internal provisioning procedures and guidelines upon consideration of factors such as the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies and the value of the assets underlying the leases and factoring as collateral or guarantees. Our Group measures and monitors the asset quality of the receivable portfolio by classifying the receivables using the five-category classification system by referring to guidelines promulgated by the CBRC relating to asset quality for financial institutions under its regulation. Based on the guidelines, receivables classified in the first two categories of the five categories, i.e., Pass and Special Mention are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while receivables in the remaining three categories, i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back of in the period in which such estimate is made.

Our provisions may prove to be inadequate if unanticipated changes occur in the PRC economy or other economies in which we operate or if other events affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for our finance lease and factoring receivables, which could significantly impact our profitability, financial condition, results of operations and growth prospects. For details of our various policies that assist us in maintaining our interest-earning assets quality, please see “Risk Management and Operations”.

Competitive landscape in the PRC finance leasing and factoring industries

After China’s entry into the World Trade Organization in 2001, the PRC finance leasing industry entered a phase of rapid development which witnessed increases in both foreign and domestic investors entering the market. In order to fulfill its commitment to the World Trade Organization, MOFCOM has implemented various policies which have been supported by new laws and regulations to develop the finance leasing industry and encourage investment.

Based on the report issued by our independent market research consultant, CIC, foreign-funded finance leasing market in PRC is very fragmented given the large number of market participants in 2016, which totalled over 6,500 registered companies. Our competitors include bank affiliated leasing companies, captive leasing companies and independent leasing companies which operate either on a similar or larger scale than our Group. Bank affiliated leasing companies typically focus on big ticket leasing and have a customer base built largely on the bank’s network. Captive leasing companies typically focus on supporting their companies’ equipment sales and plan their business expansion in line with the demands of these equipment sales. Independent leasing companies, such as our Company, utilize diversified capital sources and provide services to a broader customer base with relatively greater flexibility and independence. Increased competition affects the pricing of our leases to our customers, which will have impact on our finance lease service income and the overall profitability of our Group.

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On the other hand, according to CIC, the commercial factoring industry is still at the early stage, with the emerging large quantities of commercial factoring companies, though most of which are of small scale. As the market concentration degree is not high and market competition is insufficient, there are only around 1,100 companies running factoring businesses in PRC and only approximately 50 companies with annual factoring turnover above RMB1.0 billion. In this regard, despite the growth potentials and opportunities adherent to the PRC factoring industry, we are exposed to variable business risks associated with the unpredictable market outlook and possible regulation measures taken by the PRC government, leading to possible volatile cash flows generated from our factoring business in the future.

At the same time, both the finance leasing and factoring industry have high barriers to entry, which include operational qualifications that are difficult to obtain, high initial start-up capital and costs and the need for strong and sustainable capital funding capabilities, professional and industry-specific risk management expertise and sales and marketing expertise.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. In the application of our Group's accounting policies, the Directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

Our Directors believe that the estimates and judgments were accurate during the Track Record Period by comparing with actual results, and we confirm that there was no material change in our accounting policies, estimates and underlying assumptions during the Track Record Period, and as at the Latest Practicable Date, we did not expect to make any changes to such estimates and underlying assumptions in light of our current business operations and future plans.

When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 4 and 5 to our financial statements included in "Appendix I — Accountants' Report" to this prospectus. We set forth below those accounting policies, estimates and judgements that we believe are of critical importance to us in the preparation of our Group's financial statements.

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Significant Accounting Policies

Leasing

We classify leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. We classify all other leases as operating leases.

(i) *Our Group as lessor*

We record amounts due from lessees under finance leases as receivables at the amount of our Group's net investment in the leases. We allocate finance lease income to accounting periods so as to reflect a constant periodic rate of return on our Group's net investment outstanding in respect of the leases.

(ii) *Our Group as lessee*

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

Revenue recognition

We recognise revenue when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (i) we recognise finance lease income on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;
- (ii) we recognise service income when the services have been rendered and the revenue can be reasonably estimated and receipt in advance is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each of the reporting dates and recognised as income when the services have been rendered and the revenue can be reasonably estimated;
- (iii) we recognise interest income on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and
- (iv) we recognise grants from the government at their fair value where there is reasonable assurance that the grant will be received and our Group will comply with all attached conditions.

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Critical accounting judgement

Classification between finance leasing and operating leasing

We classify our leases as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) or operating leases (which result in expenses recognition by the lessee, with the asset remaining recognised by the lessor).

We would normally classify a lease as finance lease in the following situations:

- (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;
- (d) At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- (e) The lease assets are of a specialised nature such that only the lessee can use them without major modification being made.

Key source of estimates uncertainty

Provision for bad and doubtful receivables

We make our provision for bad and doubtful receivables based on the assessment of the recoverability of loans and receivables, and the identification of doubtful receivables requires our judgement and estimations. We measure and monitor the asset quality of the receivables portfolio by classifying the receivables using the five-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. Based on the guidelines, receivables classified in the first two categories of the five categories, i.e., Pass and Special Mention are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while receivables in the remaining three categories, i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back of in the period in which such estimate is made.

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RESULTS OF OPERATIONS

The following table summarises the consolidated statements of comprehensive income for the periods indicated.

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Revenue	51,905	69,611	76,047
Direct costs	(22,262)	(23,549)	(10,451)
Gross profit	29,643	46,062	65,596
Other income and gains	3,131	2,589	2,277
Operating expenses	(7,628)	(7,013)	(7,903)
Administrative expenses	(15,150)	(17,580)	(18,722)
Impairment loss on accounts receivable, net	(3,444)	(14,285)	(7,991)
Listing expenses	—	—	(8,691)
Profit before income tax	6,552	9,773	24,566
Income tax expense	(1,767)	(2,707)	(8,397)
Profit and total comprehensive income for the year	<u>4,785</u>	<u>7,066</u>	<u>16,169</u>

Our Group recorded accumulated losses of RMB4.5 million as at 1 January 2014, which turned into retained profits of RMB21,000 as at 31 December 2014 due to the net profit generated during the year. Our Group managed to become profitable during the year ended 31 December 2014. After the establishment of our Company in December 2012, we focused on preparatory works for our business operations including building up our work force, setting up the system and procedures as well as exploring our clients in the first half of 2013. Our Company started the first project in June 2013 and had commenced a total of 39 projects by the end of 2013. During the start-up phase in 2013, the Company only recognised certain advisory service income but incurred relatively large amounts of administrative costs, leading to a loss-making position for the year. The business scale of our Company increased substantially in 2014 along with the expansion of our business scale and the recognition of finance lease and factoring income. By the end of 2014, our Company had a total of 157 projects in progress and recorded total revenue and net profit of RMB51.9 million and RMB4.8 million, respectively, for the same period.

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DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our Group has only one operating and reportable segment during the Track Record Period and the principal activities of our Group are provision of equipment-based finance leasing, advisory service and factoring to our customers. We primarily derive our revenue from our finance lease income through leasing of equipment to our customers, the advisory service fee income from providing financing advice and ancillary services to our customers, and factoring income from loans provided to our customers which are secured by trade receivables of the customers.

Our Group recorded an increasing trend on total revenue during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016, our revenue was RMB51.9 million, RMB69.6 million and RMB76.0 million, respectively. The following table sets forth a breakdown of our revenue by service type for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Finance lease income	27,549	53.0	36,206	52.0	45,396	59.7
Factoring income	6,368	12.3	12,713	18.3	11,838	15.5
Advisory service fee income	18,359	35.4	21,361	30.7	19,138	25.2
Less: Business tax and surcharge	(371)	(0.7)	(669)	(1.0)	(325)	(0.4)
Total revenue	<u>51,905</u>	<u>100.0</u>	<u>69,611</u>	<u>100.0</u>	<u>76,047</u>	<u>100.0</u>

Finance Lease income

Our finance lease income represents 53.0%, 52.0%, and 59.7% of our total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. During the Track Record Period, our finance lease income increased from RMB27.5 million for the year ended 31 December 2014 to RMB36.2 million for the year ended 31 December 2015, and further increased to RMB45.4 million for the year ended 31 December 2016. The continuous growth in our finance lease income was principally driven by the expansion of our finance leasing business as evidenced by our increased average number of finance leases that were in effect during the Track Record Period.

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We categorise the source of our finance lease income from (i) direct finance leasing; and (ii) sale-leaseback of new equipment and used equipment. The following table sets forth a breakdown of our finance lease income by lease type for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Finance lease income						
Direct finance leasing	17,005	61.7	21,367	59.0	23,844	52.5
Sale-lease back						
- new equipment	4,420	16.0	9,454	26.1	16,512	36.4
- used equipment	6,124	22.3	5,385	14.9	5,040	11.1
Total	27,549	100.0	36,206	100.0	45,396	100.0

The following table sets forth a breakdown of our finance lease income by industry for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Industry						
FMCG	12,203	44.3	15,899	43.9	10,420	23.0
Electronics	10,533	38.2	8,980	24.8	4,691	10.4
Alternative energy	2,054	7.5	4,180	11.5	12,730	28.0
Transportation	1,317	4.8	2,285	6.3	2,335	5.1
Medical	559	2.0	4,247	11.7	12,533	27.6
Others	883	3.2	615	1.8	2,687	5.9
Total finance lease income	27,549	100.0	36,206	100.0	45,396	100.0

Factoring income

We commenced our factoring business in the year ended 31 December 2013. We provide loans to our customers which are secured by accounts receivable of the customers and we recognise our revenue in the form of interest income generated from the loans and management fees on accounts receivable. Our factoring income contributed to 12.3%, 18.3% and 15.5% of our total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. Our factoring income increased significantly by RMB6.3 million or 98.4% from RMB6.4 million for the year ended 31 December 2014

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to RMB12.7 million for the year ended 31 December 2015 due to the expansion of our factoring business and we managed to generate relatively stable income at RMB11.8 million for the year ended 31 December 2016.

The following table sets forth the type of our factoring income from (i) with recourse and non-recourse; and (ii) with notifications and without notifications. We generally enter into factoring transactions with recourse and with notifications. For details of the nature of our factoring types, please see “Business — Our Business Model and Source of Revenue — (B) Factoring”.

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
With recourse	5,212	81.8	12,288	96.7	10,953	92.5
Non-recourse	1,156	18.2	425	3.3	885	7.5
	<u>6,368</u>	<u>100.0</u>	<u>12,713</u>	<u>100.0</u>	<u>11,838</u>	<u>100.0</u>
With notifications	5,562	87.3	10,744	84.5	11,088	93.7
Without notifications	806	12.7	1,969	15.5	750	6.3
	<u>6,368</u>	<u>100.0</u>	<u>12,713</u>	<u>100.0</u>	<u>11,838</u>	<u>100.0</u>

The following table sets forth a breakdown of our factoring income by industry for the period indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Industry						
Manufacturing	2,424	38.1	2,850	22.4	3,549	30.0
Education	1,836	28.8	2,478	19.5	1,480	12.5
Wholesale and retails	1,174	18.4	1,580	12.4	457	3.9
Property leasing	934	14.7	5,166	40.7	4,987	42.1
Medical	—	—	639	5.0	1,365	11.5
Total factoring income	<u>6,368</u>	<u>100.0</u>	<u>12,713</u>	<u>100.0</u>	<u>11,838</u>	<u>100.0</u>

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Advisory service fee income

We provide advisory services includes market information (e.g. analysis of equipment suppliers, referred of potential clients and equipment pricing and valuation), product advisory, analysis on competition in the industry, optimising operational workflow, financial management and asset management advice.

Our advisory service fee income represents 35.4%, 30.7% and 25.2% of our total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. During the Track Record Period, our advisory service fee income increased from RMB18.4 million for the year ended 31 December 2014 to RMB21.4 million for the year ended 31 December 2015, and subsequently decreased to RMB19.1 million for the year ended 31 December 2016. The growth in our advisory service fee income for the years ended 31 December 2015 and 2016 was greatly benefited by our expansion in finance leasing business and certain finance lease customers also requested for our advisory services. The relatively higher advisory service fee income recognised in the year ended 31 December 2015 compared with 2016 was primarily attributable to certain large-size projects we undertook and recognised revenue during 2015.

The following table sets forth a breakdown of our advisory service fee income by industry for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
FMCG	8,783	47.8	3,561	16.7	4,247	22.2
Electronics	4,112	22.4	1,897	8.9	2,230	11.7
Medical	1,162	6.3	3,155	14.8	3,426	17.9
Alternative energy	1,292	7.0	11,672	54.6	3,015	15.8
Transportation	1,770	9.7	545	2.5	1,959	10.2
Others	1,240	6.8	531	2.5	4,261	22.2
Total advisory service fee income	<u>18,359</u>	<u>100.0</u>	<u>21,361</u>	<u>100.0</u>	<u>19,138</u>	<u>100.0</u>

Direct costs

Our direct costs primarily consist of: (i) interest expenses on interest-bearing bank and other borrowings; (ii) bank charges and other expenses incurred directly in the course of our borrowings; (iii) arrangement fee paid to Shanshan for providing corporate guarantees on our bank borrowings; and (iv) interest charge from our amount due to an intermediate holding company. Our direct costs amounted to RMB22.3 million, RMB23.5 million and RMB10.5 million for the years ended 31

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December 2014, 2015 and 2016, respectively. The following table sets forth a breakdown of our direct costs by nature for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Interest expenses on interest-bearing bank and other borrowings	13,247	59.5	14,849	63.1	6,405	61.3
Bank charges and other expenses	5,181	23.3	4,995	21.2	303	2.9
Arrangement fee for corporate guarantee	3,834	17.2	3,705	15.7	361	3.5
Interest charge from amount due to intermediate holding company	—	—	—	—	3,382	32.3
Total Direct Costs	<u>22,262</u>	<u>100.0</u>	<u>23,549</u>	<u>100.0</u>	<u>10,451</u>	<u>100.0</u>

Our total direct costs increased by RMB1.2 million or 5.4% from RMB22.3 million for the year ended 31 December 2014 to RMB23.5 million for the year ended 31 December 2015. The slight increase was not in line with the significant decrease in our interest-bearing bank and other borrowings during the respective periods. The inconsistency was due to the fact that we repaid bank loans of RMB82.0 million and RMB200.0 million in October and December 2015, respectively. As such, we still incurred interest expenses for most of the time in the year of 2015, leading to the overall increase in direct costs during the respective periods. Our total direct costs decreased by RMB13.0 million or 55.3% to RMB10.5 million for the year ended 31 December 2016, primarily attributable to: (i) the decrease in interest expenses on interest-bearing bank and other borrowings by RMB8.4 million due to the decrease in average balance of our interest-bearing bank borrowings for the year ended 31 December 2016; (ii) the decrease in arrangement fee for corporate guarantee by RMB3.3 million because our Group ceased arranging bank borrowings through Shanshan during the year ended 31 December 2016; and (iii) the decrease in bank charges and other expenses by RMB4.7 million because our Group reduced borrowings from overseas financial institutions and incurred fewer bank handling charges during the year ended 31 December 2016; and was partially offset by the increase in interest charge on amount due to an intermediate holding company by RMB3.4 million during the same period.

Gross profit and gross profit margin

For the years ended 31 December 2014, 2015 and 2016, our gross profit was RMB29.6 million, RMB46.1 million and RMB65.6 million, respectively, while our overall gross profit margin was 57.1%, 66.2% and 86.3%, respectively. The significant increase in our gross profit and gross profit margin during the Track Record Period was primarily due to the expansion of our overall business scale and a better control of direct costs.

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The following table set forth the gross profit and gross profit margins by business segment during the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Finance lease	5,299	19.2	14,406	39.8	35,462	78.1
Factoring	5,985	99.8	10,295	85.5	10,996	95.5
Advisory service	18,359	100.0	21,361	100.0	19,138	100.0
	<u>29,643</u>	57.1	<u>46,062</u>	66.2	<u>65,596</u>	86.3

The gross profit from our finance lease segment increased by RMB9.1 million or 171.9% from the year ended 31 December 2014 to the year ended 31 December 2015, and increased by RMB21.1 million or 146.5% to the year ended 31 December 2016, and the corresponding gross profit margin increased by 20.6% from the year ended 31 December 2014 to the year ended 31 December 2015, and increased by 38.3% to the year ended 31 December 2016, primarily due to the increase in revenue from our finance lease segment resulting from our business expansion and increase in total number of customers and projects. Such increase in our revenue for our finance lease segment from 2014 to 2015 was partially offset by the increase in our direct costs resulting from the slight increase in our bank borrowings balance. Due to continuous decrease in the PBOC benchmark interest rates, the increase in our direct costs was at a lower rate than the increase in our revenue from 2014 to 2015. As such, our gross profit and gross profit margin increased from 2014 to 2015. Our direct costs decreased for the year ended 31 December 2016 as we were partially funded by the interest-free borrowings from Shanshan before 18 May 2016 and incurred fewer bank charges and arrangement fee for corporate guarantee.

The gross profit from our factoring segment increased by RMB4.3 million or 72.0% from the year ended 31 December 2014 to the year ended 31 December 2015, and increased by RMB0.7 million or 6.8% to the year ended 31 December 2016, primarily due to the increase in revenue from our factoring segment resulting from our business expansion and decrease in our direct costs incurred from the factoring segment, respectively. Such increase in our revenue for our factoring segment from 2014 to 2015 was partially offset by the increase in our direct costs resulting from the slight increase in our bank borrowings balance. Due to continuous decrease in the PBOC benchmark interest rates, the increase in our direct costs was at a lower rate than the increase in our revenue from 2014 to 2015. As such, our gross profit increased from 2014 to 2015. The gross profit margin from factoring segment decreased by 14.3% from the year ended 31 December 2014 to the year ended 31 December 2015, primarily due to increase in interest expenses by RMB1.7 million as a result of funding by interest-bearing bank borrowings since November 2014. The gross profit margin from factoring segment increased by 10.0% from the year ended 31 December 2015 to the 2016, primarily due to the decrease in direct costs from the factoring segment during the same periods.

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The gross profit from our advisory services segment increased by RMB3.0 million or 16.4% from the year ended 31 December 2014 to the year ended 31 December 2015, and decreased by RMB2.3 million or 10.4% to the year ended 31 December 2016. The increase from 2014 to 2015 was generally in line with the increase in revenue from our finance lease segment, given that most of our customers under our advisory services segment were also our customers under the finance lease segment. The relatively higher gross profit from our advisory services segment in the year ended 31 December 2015 compared with 2016 was primarily attributable to certain large-size projects we undertook and recognised revenue during 2015. As we do not incur any direct costs in providing advisory services, our gross profit margins for our advisory services segment were 100.0% during the Track Record Period.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on the average balance of our interest-earning assets, which consist of our finance lease receivables and factoring receivables, and the average cost rate of the average balance of our interest-bearing liabilities, which consist of our bank and other borrowings. Net interest margin is the ratio of net interest income to the average balance of our interest-earning assets.

Finance lease segment

The following table sets forth the net income spread and net income margin of our finance lease segment during the periods indicated:

	Year ended 31 December								
	2014			2015			2016		
	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-earning assets	339,903	27,549	8.1	544,253	36,206	6.7	696,153	45,396	6.5
Interest-bearing liabilities	300,000	13,234	4.4	262,280	13,319	5.1	269,858	9,373	3.5
Net interest margin			4.2			4.2			5.2
Net interest spread			3.7			1.6			3.0

- (1) Average balance of interest-earning assets is calculated based on the average balance of net finance lease receivables before provision as at 1 January, 30 June and 31 December 2014, 2015 and 2016.

Average balance of interest-bearing liabilities is calculated based on the average balance of interest-bearing bank and other borrowings and amount due to an intermediate holding company for finance lease business as at 1 January, 30 June and 31 December 2014, 2015 and 2016, excluding the balances of amount due to an intermediate holding company for the year of 2014 and 2015 as which were interest-free throughout the respective period.

- (2) The average yield is calculated by dividing interest income by the average balance of interest-earning assets. The average cost rate is calculated by dividing interest expense by the average balance of our interest-bearing liabilities.

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For the years ended 31 December 2014, 2015 and 2016, our net interest margin of the finance lease segment was 4.2%, 4.2% and 5.2%, respectively, and our net interest spread of the finance lease segment was 3.7%, 1.6% and 3.0%, respectively. Our net interest margin remained relatively stable for the years ended 31 December 2014 and 2015, and our net interest margin slightly increased for the year ended 31 December 2016, which reflected the expansion of our client base during the Track Record Period.

Our net interest spread decreased significantly for the years ended 31 December 2014 and 2015, which was mainly attributable to (i) the generally lower interest rate of the new finance lease projects secured by us during 2015 and the majority of our financing amount of these projects was provided to our customers in the second half of the year, which significantly increased our average interest earning assets for the year ended 31 December 2015 to render a lower average yield rate; and (ii) the decrease in the balance of our interest-bearing liabilities as at 31 December 2015 due to our repayment of bank loans of RMB200.0 million in December 2015 while the overall interest expense increased in 2015, rendering a rise in the average cost rate. Our net interest spread increased for the year ended 31 December 2016, which was mainly attributable to our lower borrowing costs incurred as we effectively controlled interest expenses on bank borrowings, bank charges and arrangement fee for corporate guarantee, and was partially offset by the slight decrease in the average yield of our interest-earning assets as we have commenced certain large-size finance lease projects near the end of 2016.

Factoring segment

The following table sets forth the net income spread and net income margin of our factoring segment during the periods indicated:

	Year ended 31 December								
	2014			2015			2016		
	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾	Average balance ⁽¹⁾	Interest income/expense	Average yield/cost rate ⁽²⁾
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest-earning assets	41,853	6,368	15.2	99,280	12,713	12.8	80,639	11,838	14.7
Interest-bearing liabilities	4,667	13	0.3	22,733	1,530	6.7	3,400	414	12.2
Net interest margin			15.2			11.3			14.2
Net interest spread			14.9			6.1			2.5

(1) Average balance of interest-earning assets is calculated based on the average balance of net factoring receivables before provision as at 1 January, 30 June and 31 December 2014, 2015 and 2016.

Average balance of interest-bearing liabilities is calculated based on the average balance of interest-bearing bank borrowings for factoring business as at 1 January, 30 June and 31 December 2014, 2015 and 2016.

(2) The average yield is calculated by dividing interest income by the average balance of interest-earning assets. The average cost rate is calculated by dividing interest expense by the average balance of our interest-bearing liabilities.

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For the years ended 31 December 2014, 2015 and 2016, our net interest margin of the factoring segment was 15.2%, 11.3% and 14.2%, respectively, and our net interest spread of the factoring segment was 14.9%, 6.1% and 2.5%, respectively. Our net interest margin decreased for the years ended 31 December 2014 and 2015, and increased for the year ended 31 December 2016. Our net interest spread decreased throughout the Track Record Period. In the year of 2014 when we started our factoring business, it was principally financed by our internal funding of interest-free capital contributions, leading to the relatively high net interest margin and net interest spread for the year ended 31 December 2014 compared with that of 2015. For the year ended 31 December 2016, our net interest margin increased mainly due to the significant decrease in our total interest expenses incurred in the factoring segment as we have repaid most of the bank borrowings and relied on the cash generated from our operations to fund our factoring transactions during the same year. On the other hand, we experienced a decrease in our net interest spread during the year ended 31 December 2016 due to the increase in our average cost rate, which was because our bank borrowings fluctuated during the same year, and we repaid most of the banks borrowings in the middle and at the end of the same year while we still incurred finance expenses during the year.

Other income and gains

Other income and gains mainly includes recharge of insurance expenses, interest income from short-term investments, bank interest income, interest income from available-for-sale financial assets, exchange gain and government grant. Other income and gains amounted to RMB3.1 million, RMB2.6 million and RMB2.3 million, respectively, for the years ended 31 December 2014, 2015 and 2016.

The table sets forth a breakdown of our other income and gains by nature for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Recharge of insurance expenses	1,285	41.0	909	35.1	796	35.0
Interest income from short-term investments	863	27.6	776	30.0	—	—
Bank interest income	354	11.3	169	6.5	82	3.6
Interest income from available-for-sale financial assets	318	10.2	202	7.8	9	0.4
Exchange gain, net	248	7.9	193	7.5	—	—
Government grant	—	—	—	—	907	39.8
Others ^{Note}	63	2.0	340	13.1	483	21.2
Total income and gains	3,131	100.0	2,589	100.0	2,277	100.0

Note: Others mainly represent late payment changes received from customers, refund of administration fee from the tax bureau, gain on disposal of finance leases and other miscellaneous income.

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The slight decrease in our other income and gains during the Track Record Period was primarily due to decrease in recharge of insurance expenses since (i) more new sale-leaseback customers were inclined to purchase the equipment insurance schemes of their own instead of using our insurance purchased on their behalf from which we can earn certain income for the years ended 31 December 2014 and 2015; and (ii) we purchased less insurance schemes for our customers for the year ended 31 December 2016, decrease in interest income from available-for-sale financial assets of the PRC government bonds and decrease in bank interest income as a result of the decrease in our average bank balances during the respective period; and was partially offset by the government grant obtained in 2016.

In March 2016, a subsidiary of our Company, Fullin Factoring, entered into an investment cooperation memorandum with a local bureau in Tianjin whereby financial awards would be granted to us for a maximum period of five years up to 2020, provided that Fullin Factoring could (i) undertake that its operations would not violate any laws and regulations of the country or local district; and (ii) achieve a required level of tax contributions to the local district (the “**Conditions**”). For the year ended 31 December 2016, we have obtained and recognised such government grant amounting to RMB0.9 million upon our fulfilment of the Conditions for 2014 and 2015. Since the government notice regarding the Conditions for 2016 is not expected to be released before June 2017, there can be no assurance that we will be able to obtain similar government grants on a recurring basis in 2017 or going forward. For details regarding the government grant, please see note 7(b) to “Appendix I — Accountants’ Report” to this prospectus.

Operating expenses

Our operating expenses primarily include salaries and benefits of our sales personnel, traveling expenses and others such as vehicle expenses and business development expenses. The following table sets forth a breakdown of our operating expenses by nature for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Salaries and benefits	5,252	68.8	4,981	71.0	6,037	76.4
Traveling expenses	1,457	19.2	1,330	19.0	1,311	16.6
Others	919	12.0	702	10.0	555	7.0
Total Operating Expenses	7,628	100.0	7,013	100.0	7,903	100.0

Our operating expenses amounted to RMB7.6 million, RMB7.0 million and RMB7.9 million for the years ended 31 December 2014, 2015 and 2016, respectively.

Our operating expenses decreased by RMB0.6 million or 7.9% during the years ended 31 December 2014 and 2015, which was primarily attributable to: (i) decrease in salaries and benefits by

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RMB0.3 million as a result of the decrease in average number of our sales personnel throughout the respective year for the purpose of better allocating our human resources; and (ii) decrease in others by RMB0.2 million mainly due to decrease in related telecommunication and office expenses incurred by our sales personnel.

Our operating expenses increased by RMB0.9 million or 12.9% during the year ended 31 December 2015 and 2016, which was primarily attributable to increase in salaries and staff welfare to our sales personnel by RMB1.1 million primarily attributable to the increase in bonuses distributed to our sales personnel during the same period.

Administrative expenses

Our administrative expenses primarily comprise salaries and benefits of our administrative staff, rental expenses, office and traveling expenses, legal and professional expenses and others including depreciation, vehicle expenses and other miscellaneous expenses. The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and benefits	6,639	43.8	7,691	43.7	9,901	52.9
Rental expenses	2,110	13.9	1,623	9.2	1,401	7.5
Office and traveling expenses	1,992	13.2	1,757	10.0	1,805	9.6
Legal and professional expenses	794	5.2	2,967	16.9	2,547	13.6
Others	3,615	23.9	3,542	20.2	3,068	16.4
Total administrative expenses	15,150	100.0	17,580	100.0	18,722	100.0

Our administrative expenses amounted to RMB15.1 million, RMB17.6 million and RMB18.7 million for the years ended 31 December 2014, 2015 and 2016, respectively.

Our administrative expenses increased by RMB2.5 million or 16.6% during the years ended 31 December 2014 and 2015, which was primarily attributable to (i) increase in legal and professional expenses by RMB2.2 million as a result of certain litigation fees in relation to the past due finance lease and factoring receivables from certain customers; (ii) increase in salaries and benefits by RMB1.1 million as a result of our increase in total number of administrative staff and the overall increased staff cost in the PRC labour market.

Our administrative expenses increased by RMB1.1 million or 6.3% during the years ended 31 December 2015 and 2016, which was primarily attributable to increase in salaries and benefits by RMB2.2 million as a result of our increase in total number of administrative staff and the overall increased staff cost in the PRC labour market.

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Income tax expense

Our Company and its subsidiaries 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 profits as determined in accordance with the relevant income tax law in the PRC during the Track Record Period.

Our income tax expenses were RMB 1.8 million, RMB 2.7 million and RMB 8.4 million for the years ended 31 December 2014, 2015 and 2016, respectively. The effective tax rates for the same periods were 27.0%, 27.7% and 34.1%, respectively. The effective tax rates during the Track Record Period were slightly higher than the statutory enterprise income tax of 25% primarily due to the tax effect of expenses being now deductible from our profit for PRC enterprise income tax purposes.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue increased by RMB6.4 million or 9.2% to RMB76.0 million for the year ended 31 December 2016 from RMB69.6 million for the year ended 31 December 2015 primarily due to increase in all of our primary sources of revenue as a result of expansion of our business.

Our finance lease income increased by RMB9.2 million, or 25.4%, from RMB36.2 million for the year ended 31 December 2015 to RMB45.4 million for the year ended 31 December 2016. The increase was primarily (i) driven by the expansion of our finance leasing business as evidenced by our increased average number of finance leases during the Track Record Period that are still in effect; and (ii) supported by our increasing total funds raised from the issuance of shares in 2015 and external funding.

Our factoring income remained relatively stable at RMB12.7 million and RMB11.8 million for the year ended 31 December 2015 and 2016.

Our advisory service fee income slightly decreased by RMB2.3 million, or 10.7%, from RMB21.4 million for the year ended 31 December 2015 to RMB19.1 million for the year ended 31 December 2016. The decrease was mainly attributable to the non-recurrence of certain large-size advisory projects we undertook during the year of 2015.

Direct costs

Our direct costs significantly decreased by RMB13.0 million or 55.3% from RMB23.5 million for year ended 31 December 2015 to RMB10.5 million for the year ended 31 December 2016. Such decrease was mainly due to the decrease in our interest expenses our interest-bearing bank and other borrowings by RMB8.4 million, bank charges and other expenses by RMB4.7 million and arrangement fee for corporate guarantee by RMB3.3 million; and was partially offset by the increase in interest change on amount due to an intermediate holding company by RMB3.4 million.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB19.5 million or 42.3% from RMB46.1 million for the year ended 31 December 2015 to RMB65.6 million for the year ended 31 December 2016. Our gross profit margin increased significantly from 66.2% for the year ended 31 December 2015 to 86.3% for the year ended 31 December 2016, which was mainly due to the combined effect of increase in our revenue by RMB6.4 million and decrease in our direct costs by RMB13.0 million.

Other income and gains

Other income and gains were insignificant and slightly decreased to RMB2.3 million for the year ended 31 December 2016 from RMB2.6 million for year ended 31 December 2015.

Operating expenses

Operating expenses increased by RMB0.9 million or 12.9% from RMB7.0 million for the year ended 31 December 2015 to RMB7.9 million for the year ended 31 December 2016. The increase was primarily due to the increase in salaries and benefits of our sales personnel as well as related expenses incurred by them.

Administrative expenses

Administrative expenses slightly increased from RMB17.6 million for the year ended 31 December 2015 to RMB18.7 million for the year ended 31 December 2016, which was primarily attributable to increase in salaries and benefits by RMB2.2 million as a result of our increase in total number of administrative staff and the overall increased staff cost in the PRC labour market.

Impairment loss on accounts receivable, net

Our net impairment loss on accounts receivable amounted to RMB8.0 million for the year ended 31 December 2016, mainly representing our provision made on certain outstanding receivables that have been overdue for over six months during the same period. For details, please see note 16(a) to “Appendix I — Accountants’ report” to this prospectus.

Listing expenses

Our Group incurred listing expenses of RMB8.7 million for the year ended 31 December 2016, which was non-recurring in nature.

Income tax expense

Income tax expense increased by RMB5.7 million or 211.1% to RMB8.4 million for the year ended 31 December 2016 from RMB2.7 million for the year ended 31 December 2015. The increase

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was generally in line with the increase in profit before taxation. The effective tax rates for the year ended 31 December 2015 and 2016 were 27.7% and 34.1%. The increase in the effective tax rate is mainly due to listing expenses incurred for the year ended 31 December 2016 which was non-deductible for PRC enterprise income tax purpose.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by RMB9.1 million or 128.2% to RMB16.2 million for the year ended 31 December 2016 from RMB7.1 million for the year ended 31 December 2015, primarily as a result of the increase in our gross profit by RMB19.5 million and the decrease in net impairment loss on accounts receivable by RMB6.3 million, and partially offset by the increase in listing expenses by RMB8.7 million and the increase in income tax expenses by RMB5.7 million.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased by RMB17.7 million or 34.1% to RMB69.6 million for the year ended 31 December 2015 from RMB51.9 million for the year ended 31 December 2014 primarily due to increase in all of our primary sources of revenue as a result of expansion of our business.

Our finance lease income increased by RMB8.7 million, or 31.6%, from RMB27.5 million for the year ended 31 December 2014 to RMB36.2 million for the year ended 31 December 2015. The increase was primarily due to driven by the expansion of our finance leasing business as evidenced by our increased average number of finance leases for the year of 2014 and 2015 that are still in effect.

Our factoring income increased by RMB6.3 million, or 98.4%, from RMB6.4 million for the year ended 31 December 2014 to RMB12.7 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in average number of our factoring contracts during the respective year.

Our advisory service fee income increased by RMB3.0 million, or 16.3%, from RMB18.4 million for the year ended 31 December 2014 to RMB21.4 million for the year ended 31 December 2015. The increase was greatly benefited by our expansion in finance leasing business and certain finance lease customers also requested for our advisory services.

Direct costs

Our direct costs remained relatively stable at RMB22.3 million and RMB23.5 million for the years ended 31 December 2014 and 2015.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB16.5 million or 55.7% from RMB29.6 million for the year ended 31 December 2014 to RMB46.1 million for the year ended 31 December

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2015. Our gross profit margin also increased from 57.1% for the year ended 31 December 2014 to 66.2% for the year ended 31 December 2015, which was mainly due to the combined effect of increase in revenue by RMB17.7 million that partially offset by increase in direct costs by RMB1.2 million.

Other income and gains

Other income and gains decreased by RMB0.5 million or 16.1% from RMB3.1 million for the year ended 31 December 2014 to RMB2.6 million for the year ended 31 December 2015. The decrease was mainly attributable to decrease in recharge of insurance expenses and bank interest income.

Operating expenses

Operating expenses decreased by RMB0.6 million or 7.9% from RMB7.6 million for the year ended 31 December 2014 to RMB7.0 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in salaries and benefits as a result of decrease in headcount of our sales personnel.

Administrative expenses

Administrative expenses increased by RMB2.5 million or 16.6% from RMB15.1 million for the year ended 31 December 2014 to RMB17.6 million for the year ended 31 December 2015. The increase was primarily due to the increase in salaries and benefits for increased number of administrative staff.

Impairment loss on accounts receivable, net

Our net impairment loss on accounts receivable increased by RMB10.9 million or 320.6% from RMB3.4 million for the year ended 31 December 2014 to RMB14.3 million for the year ended 31 December 2015. Such increase was mainly due to the provision for our non-performing assets of finance lease and factoring receivables. For details, see “Business — Asset Quality/Policy for Provision of Impairment”.

Income tax expense

Income tax expense increased by RMB0.9 million or 50.0% from RMB1.8 million for the year ended 31 December 2014 to RMB2.7 million for the year ended 31 December 2015. The increase was generally in line with the increase in profit before taxation. The effective tax rates for the years ended 31 December 2014 and 2015 were 27.0% and 27.7%. Both of the effective tax rates are higher than the statutory enterprise income tax of 25% primarily due to the tax effect of expenses being non-deductible from our profit for PRC enterprise income tax purposes.

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Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by RMB2.3 million or 47.9% from RMB4.8 million for the year ended 31 December 2014 to RMB7.1 million for the year ended 31 December 2015, primarily as a result of our revenue growth by RMB17.7 million and the increase in gross profit by RMB16.5 million, and partially offset by the increase in impairment loss on accounts receivable by RMB10.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of capital are to fund our finance leases and factoring business and to manage the working capital of our daily operations. During the Track Record Period, we financed our finance leases and factoring business primarily through interest-bearing bank and other borrowings and amount due to our intermediate holding company. After the Listing, we also expect to fund part of our capital needs using the proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank borrowings when they fall due.

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Net cash used in operating activities	(306,282)	(157,919)	(91,623)
Net cash (used in)/generated from investing activities	(22,355)	(15,531)	45,752
Net cash generated from financing activities	<u>238,516</u>	<u>187,189</u>	<u>67,957</u>
Net (decrease)/increase in cash and cash equivalents	(90,121)	13,739	22,086
Cash and cash equivalents at beginning of year	<u>95,215</u>	<u>5,094</u>	<u>18,833</u>
Cash and cash equivalents at end of year	<u><u>5,094</u></u>	<u><u>18,833</u></u>	<u><u>40,919</u></u>

Operating activities

During the Track Record Period, our operating cash inflows were primarily derived from the provision of finance leases, advisory services and factoring and our operating cash outflows mainly comprised of payments of borrowing cost included in direct operating cost as well as other working capital needs and tax payments.

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For the year ended 31 December 2014, our Group had cash used in operating activities of RMB306.3 million, primarily as a result of the profit before income tax expense of RMB6.6 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly due to (i) increase in accounts receivable of RMB368.3 million and (ii) increase in prepayments, deposits and other receivables of RMB25.6 million; and was partially offset by (i) increase in deposits from finance lease customers and suppliers (non-current portion) of RMB69.1 million; and (ii) increase in other payables and accruals of RMB9.0 million.

For the year ended 31 December 2015, our Group had cash used in operating activities of RMB157.9 million, primarily as a result of the profit before income tax expense of RMB9.8 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly due to (i) increase in accounts receivable of RMB228.7 million as a result of increase in finance lease and factoring receivables due to expansion of our business; and (ii) increase in prepayments and other receivables of RMB7.9 million as a result of increase in value-added tax recoverable; and was partially offset by (i) increase in other payables and accruals of RMB45.8 million as a result of increase in deposits from finance lease customers under current portion; and (ii) increase in deposits from finance lease customers and suppliers (non-current portion) of RMB12.1 million.

For the year ended 31 December 2016, our Group had cash used in operating activities of RMB91.6 million, primarily as a result of the profit before income tax expense of RMB24.6 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly due to (i) increase in accounts receivable of RMB135.5 million as a result of the increase in our finance lease income; and (ii) decrease in other payables and accruals of RMB4.5 million as a result of decrease in other payables and deposits from finance lease customers under current portion; and was partially offset by (i) decrease in prepayments, deposits and other receivables of RMB14.9 million primarily as a result of the decrease in value-added tax recoverable; and (ii) decrease in deposits from finance lease customers and suppliers under non-current portion of RMB12.2 million.

Investing activities

During the Track Record Period, our cash outflow used in investing activities was principally for purchase of available-for-sale financial assets, acquisition and deemed contribution of interests in subsidiaries and advance to a shareholder. Our cash inflow from investing activities was principally from the decrease in amount due from fellow subsidiaries, proceeds from disposal of available-for-sale financial assets and interest income from short-term investments.

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For the year ended 31 December 2014, our Group had net cash used in investing activities of RMB22.4 million primarily attributable to (i) purchase of available-for-sale financial assets of the PRC government bonds of RMB534.4 million; (ii) increase in amount due from an intermediate holding company of RMB20.0 million; (iii) advance to a shareholder of RMB5.0 million; and was partially offset by (i) proceeds from disposal of available-for-sale financial assets of the PRC government bonds of RMB526.3 million; and (ii) decrease in amount due from fellow subsidiaries of RMB10.0 million as a result of the receipt from fellow subsidiaries during the same year.

For the year ended 31 December 2015, our Group had net cash used in investing activities of RMB15.5 million primarily attributable to (i) purchase of available-for-sale financial assets of the PRC government bonds of RMB815.8 million; (ii) acquisition of remaining interests in a subsidiary, Fullin Factoring, at a cash payment of RMB33.1 million ; and (iii) deemed distribution of RMB32.1 million of the cash consideration for acquisition of Beijing Medical; and was partially offset by (i) proceeds from disposal of available-for-sale financial assets of the PRC government bonds RMB823.9 million; (ii) decrease in amount due from fellow subsidiaries of RMB31.5 million as a result of the receipt from fellow subsidiaries; (iii) repayment from a shareholder of RMB5.0 million; and (iv) decreases in amount due from an intermediate holding of RMB5.0 million.

For the year ended 31 December 2016, our Group had net cash used in investing activities of RMB45.8 million primarily attributable to (i) proceeds from sale of available-for-sale financial assets of the PRC government bonds RMB96.9 million; and (ii) decreases in amount due from an intermediate holding of RMB45.0 million; and was partially offset by purchase of available-for-sale financial assets of the PRC government bonds of RMB96.9 million.

During the Track Record Period, the Group invested its idle funds in financial assets with a low-risk profile. The primary purpose of such investments was to increase capital efficiency and lower the costs of idle funds. With a view towards increasing the Group's returns, the Group intends to continue investing in similar financial assets with a low-risk profile. Pursuant to the Group's investment policy, the Group generally invests in low-risk financial products with an investment horizon of one year or less, and will not invest in high-risk financial products such as equity and debt securities issued by non-listed or non-state owned enterprises. In addition, depending on the size of the investment, any investments by the Group would require the prior approval of our general manager, our Board and/or our Shareholders. For example, any investment amount that is larger than 20% and not exceeding 30% of our Group's total asset based on our most recent audited financial statements would require the approval of our Board.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally proceeds from interest-bearing bank and other borrowings, amount due to intermediate holding company, capital contribution from shareholders and proceeds from issuance of shares. Our cash outflow used in financing activities was principally for repayment of interest-bearing bank and other borrowings, decrease in amount due to an intermediate holding company and decrease in amount due to shareholders.

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For the year ended 31 December 2014, our Group had net cash generated from financing activities of RMB238.5 million, which was primarily attributable to (i) proceeds from interest-bearing bank and other borrowings of RMB315.0 million; (ii) capital contribution from shareholders of RMB100.0 million; and (iii) increase in amount due to an intermediate holding company of RMB24.5 million; and was partially offset by repayment of interest-bearing bank and other borrowings of RMB201.0 million.

For the year ended 31 December 2015, our Group had net cash generated from financing activities of RMB187.2 million, which was primarily attributable to (i) increase in amount due to intermediate holding company of RMB297.3 million for the purpose of funding our business operations; (ii) proceeds from interest-bearing bank and other borrowings of RMB179.6 million from our new bank borrowings; and (iii) proceeds from issuance of shares of RMB93.8 million; and was partially offset by repayment of interest-bearing bank and other borrowings of RMB392.4 million.

For the year ended 31 December 2016, our Group had net cash generated from financing activities of RMB68.0 million, which was primarily attributable to the proceeds from interest-bearing bank and other borrowings of RMB500.0 million; and partially offset by (i) decrease in amount due to an intermediate holding company of RMB322.4 million; (ii) repayment of interest-bearing bank and other borrowings of RMB100.3 million; and (iii) decrease in amounts due to shareholders of RMB9.3 million.

Capital Management

Our Group's capital management objectives are to ensure our Group's ability to continue as a going concern, and to provide an adequate return to equity holders.

Our Group actively and regularly reviews and manages our capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our directors also balance our overall capital structure through the payment of dividends or issuance of new shares. No changes were made in the objectives, policies or processes during the Track Record Period.

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Our Group sets the amount of equity in proportion to our overall financing structure. The equity-to-overall financing ratios at the end of the Track Record Period were as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total equity	225,805	293,116	309,285
Overall financing			
- Interest-bearing bank and other borrowings	314,000	101,257	500,916
- Amount due to an intermediate holding company	25,090	322,378	—
	339,090	423,635	500,916
Equity-to-overall financing ratio^(note)	1:0.67	1:0.69	1:0.62

Note: We calculated equity-to-overall financing ratio as at 31 December 2014, 2015 and 2016 based on the total equity divided by the overall financing as at the respective dates.

Our Group manages our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. Our Group's overall strategy remained unchanged throughout the Track Record Period.

Liquidity and Net Current Assets

We recorded net current assets of RMB51.0 million, RMB95.9 million and RMB11.7 million as at 31 December 2014 and 2015 and 31 March 2017 and net current liabilities of RMB51.5 million as at 31 December 2016, respectively. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current Assets				
Accounts receivable	298,269	482,694	432,711	425,436
Prepayments, deposits and other receivables	39,287	45,685	32,291	21,912
Available-for-sale financial assets	8,100	—	—	85,002
Amount due from a fellow subsidiary	31,500	—	—	—
Amount due from a shareholder	5,000	—	—	—

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	As at 31 December			As at 31 March
	2014	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from an intermediate holding company	50,000	45,000	—	—
Pledged bank deposits	—	786	—	—
Cash and cash equivalents	5,094	18,833	40,919	7,410
Total current assets	<u>437,250</u>	<u>592,998</u>	<u>505,921</u>	<u>539,760</u>
Current Liabilities				
Other payables and accruals	13,063	58,814	54,359	39,715
Receipt in advance	305	958	360	360
Amount due to shareholders	—	9,325	—	—
Amount due to a fellow subsidiary	32,128	—	—	—
Amount due to an intermediate holding company	25,090	322,378	—	—
Tax payables	1,697	4,391	1,750	1,883
Interest-bearing bank and other borrowings	314,000	101,257	500,916	486,143
Total current liabilities	<u>386,283</u>	<u>497,123</u>	<u>557,385</u>	<u>528,101</u>
Net Current Assets/(Liabilities)	<u>50,967</u>	<u>95,875</u>	<u>(51,464)</u>	<u>11,659</u>

We fund our finance lease receivables portfolio principally through our interest-bearing bank and other borrowings and amount due from an intermediate holding company. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding. We have also sought to increase the proportion of our non-current liabilities to improve our stable funding sources.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amounts or maturity mismatches of assets and liabilities. We manage our liquidity risk through daily monitoring. We aim to optimize the structure of assets and liabilities, maintain the stability of our leasing business, project cash flows and evaluate the level of current assets and terms of our liquidity and maintain an efficient internal funds transfer mechanism. For details, please see “Risk Management and Operations — Liquidity Risk Management”.

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The following table sets forth, as of the dates indicated, the maturity profile of our Group's financial assets and liabilities based on contractual undiscounted cash flows. ^{Note}

	On demand	Within 1 month to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total contractual undiscounted cash flow	Total Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2016							
Total financial assets	43,736	173,236	346,019	317,880	232,837	1,113,708	952,850
Total financial liabilities	(510,080)	(7,572)	(33,619)	(48,226)	(72,329)	(671,826)	(671,826)
Net liquidity gap	<u>(466,344)</u>	<u>165,664</u>	<u>312,400</u>	<u>269,654</u>	<u>160,508</u>	<u>441,882</u>	<u>281,024</u>
As at 31 December 2015							
Total financial assets	66,591	118,007	453,813	208,973	141,756	989,140	848,180
Total financial liabilities	(438,395)	(2,508)	(45,843)	(7,121)	(101,264)	(595,131)	(595,032)
Net liquidity gap	<u>(371,804)</u>	<u>115,499</u>	<u>407,970</u>	<u>201,852</u>	<u>40,492</u>	<u>394,009</u>	<u>253,148</u>
As at 31 December 2014							
Total financial assets	100,387	100,157	261,318	233,500	75,694	771,056	667,574
Total financial liabilities	(381,134)	—	(1,910)	(751)	(95,549)	(479,344)	(479,344)
Net liquidity gap	<u>(280,747)</u>	<u>100,157</u>	<u>259,408</u>	<u>232,749</u>	<u>(19,855)</u>	<u>291,712</u>	<u>188,230</u>

Note: The data set forth in the table above refers to Note 36 "Financial Risk Management — Liquidity Risk" as set forth in the "Accountants' Report" in Appendix I to this prospectus. This data represents our Group's financial assets and liabilities based on our total carrying amount as well as our total contractual undiscounted cash flows.

During the Track Record Period, we have been able to prudently match the expiry of our financial assets with the maturity of our financial liabilities. As at 31 December 2014, 2015 and 2016, we had a net liquidity shortfall of RMB280.7 million, RMB371.8 million and RMB466.3 million for the category of "on demand". Our negative net liquidity gap for such periods is mainly due to our interest-bearing bank and other borrowings and amount due to an intermediate holding company. We believe that such a gap will not have a material impact on our liquidity risk in the foreseeable future as the surplus generated from those periods would be able to cover such gap.

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Our Group recorded net current liabilities and an enlarged net liquidity gap for the category of “on demand” as at 31 December 2016, which to a substantial extent was attributable to our bank loans obtained from a state-owned commercial bank in the PRC with aggregate carrying amounts of RMB 196.5 million as at 31 December 2016. Our financing agreements with the bank contain a number of covenants, undertakings, restrictions and default provisions and are subject to repayment on demand clauses. For details of the terms stipulated in the agreements, please refer to the section headed “Business — Our Lenders and Funding Capabilities — Bank and other borrowings” in this prospectus. Although part of the bank loans were contractually due from repayment after one year, we classified such amount as current liabilities in view of the repayment on demand clauses.

Our Directors believe that we are capable to comply with all the terms and provisions set out in the agreements and the bank will not exercise its discretionary rights to demand immediate repayment, because: (i) we have maintained a good and stable relationship through long-term cooperation with the bank since the year of 2014, and we have never breached any of the provisions in the agreements that could result in early repayments required by the bank. In addition, the bank has issued a letter of intent to us offering a bank facility with a maximum limit of RMB1.0 billion in September 2016; (ii) the repayment of the bank loans were secured by pledge of our selected finance lease receivables with carrying amounts of RMB221.5 million as at 31 December 2016, representing 24.4% of our total accounts receivables as at the same dates. The scheduled payments generated from these finance lease receivables could match with the amounts and timing of our required repayments to the bank, thus providing stable and sufficient working capital support to our repayments; and (iii) our selected finance lease customers under the pledging arrangements with the bank are those with good credit records and are capable to make timely payments to us. We have also obtained collaterals amounting to RMB351.3 million on these finance lease receivables as at 31 December 2016.

To diversify our funding sources and to secure the sufficiency of our working capital, we have also obtained two letters of intent with maximum limits of RMB200.0 million and RMB100.0 million from two other state-invested commercial banks, respectively, in February 2017.

Having considered the above, our Directors believe that our net current liabilities position and net liquidity gap will not have material impact to our operations and our Group will have sufficient working capital going forward.

Capital Expenditures

Due to our business nature, we have minimal capital expenditures. Our Group’s capital expenditures principally consist of expenditures on purchases of office equipment and leasehold improvements. During the Track Record Period, our Group incurred capital expenditures of RMB0.4 million, RMB0.1 million, and RMB0.5 million, respectively. Between 31 December 2016 and the Latest Practicable Date, we did not make any material capital expenditures.

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Working Capital

Our Directors confirm that, taking into consideration the banking facilities presently available, other internal resources and the proposed facilities supported by letter of intent issued by the underlying banks and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds".

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Accounts receivable

The principal component of our total assets was accounts receivable, representing 80.1%, 87.0% and 92.1% of our total assets as at 31 December 2014, 2015 and 2016, respectively.

Our Group's accounts receivable mainly consist of finance lease receivables and factoring receivables. The following table sets forth a breakdown of our accounts receivable as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Finance lease receivables	580,087	738,198	974,741
Less: unearned finance income	(64,237)	(70,270)	(100,639)
Present value of minimum lease payment	515,850	667,928	874,102
Factoring receivables	54,187	130,795	51,614
Less: provision for finance lease receivables	(2,579)	(14,186)	(15,045)
Less: provision for factoring receivables	(271)	(2,949)	(1,557)
	<u>567,187</u>	<u>781,588</u>	<u>909,114</u>

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Accounts receivable increased by RMB214.4 million or 37.8% from RMB567.2 million as at 31 December 2014 to RMB781.6 million as at 31 December 2015, and increased by RMB127.5 million or 16.3% to RMB909.1 million as at 31 December 2016.

The following table sets forth a breakdown of our accounts receivable by current and non-current assets as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current assets	298,269	482,694	432,711
Non-current assets	268,918	298,894	476,403
	<u>567,187</u>	<u>781,588</u>	<u>909,114</u>

As at 31 December 2014, 2015 and 2016, included in accounts receivable amounted to RMB1.7 million, RMB13.2 million and RMB5.6 million respectively were trade balances due from related companies.

For more information on the details of the related parties, please see note 16 to “Appendix I — Accountants’ Report” to this prospectus.

Finance lease receivables

Net finance lease receivables represent finance lease receivables less unearned finance income and provision for finance lease receivables. Net finance lease receivables constitute a majority of our accounts receivable, representing 90.5%, 83.6% and 94.5% of our accounts receivable as at 31 December 2014, 2015 and 2016, respectively.

Our net finance lease receivables increased by RMB140.4 million or 27.4% from RMB513.3 million as at 31 December 2014 to RMB653.7 million as at 31 December 2015, and increased by RMB205.4 million or 31.4% to RMB859.1 million as at 31 December 2016. The increase during the Track Record Period was primarily driven by the expansion of our finance leasing business as evidenced by our increased total number of finance leases during the same period.

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

	As at 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Present value of minimum lease payments						
FMCG	226,285	43.9	200,969	30.1	232,673	26.6
Electronics	147,513	28.6	95,032	14.2	82,919	9.5
Alternative energy	42,781	8.3	204,757	30.7	208,411	23.8
Medical	34,128	6.6	101,048	15.1	191,437	21.9
Transportation	32,124	6.2	34,369	5.1	53,928	6.2
Others	33,019	6.4	31,753	4.8	104,734	12.0
	515,850	100.0	667,928	100.0	874,102	100.0
Less: Provision for finance lease receivables	(2,579)		(14,186)		(15,045)	
	<u>513,271</u>		<u>653,742</u>		<u>859,057</u>	

The discount rates adopted in calculating the present value of minimum lease payments ranged mainly from 0.69% to 12.49%, 0.69% to 13.04%, and 0.69% to 17.55%, per annum as at 31 December 2014, 2015 and 2016, respectively. The discount rates represent the internal rate of return from the respective leases after taking into account the normal cash price of the leased assets, lease payments, and the residual value of the leased assets. The lease payment is determined by reference to prevailing market rates, our risk premium through the assessment of the credit risk involved and the liquidity of the leased assets, and our funding cost. Factors which affect the risk premium for pricing our finance leases include the customer's industry and reputation, existing debt position, operating cash flows, and the projected cash flows to be generated by the leased equipment. We also consider the overall return based on the range of services we provide to the same customer.

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The following table sets forth a breakdown of our net finance lease receivables by current and non-current assets as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	244,353	354,848	382,654
Non-current assets	268,918	298,894	476,403
	<u>513,271</u>	<u>653,742</u>	<u>859,057</u>

The following table sets forth an 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 dates indicated:

	As at 31 December					
	2014		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Finance lease receivables						
Within one year	290,580	50.1	406,111	55.0	449,593	46.1
In more than one year but not more than five years	<u>289,507</u>	<u>49.9</u>	<u>332,087</u>	<u>45.0</u>	<u>525,148</u>	<u>53.9</u>
Total	<u>580,087</u>	<u>100.0</u>	<u>738,198</u>	<u>100.0</u>	<u>974,741</u>	<u>100.0</u>
Present value of minimum lease payments						
Within one year	245,517	47.6	362,731	54.3	396,473	45.4
In more than one year but not more than five years	<u>270,333</u>	<u>52.4</u>	<u>305,197</u>	<u>45.7</u>	<u>477,629</u>	<u>54.6</u>
Total	<u>515,850</u>	<u>100.0</u>	<u>667,928</u>	<u>100.0</u>	<u>874,102</u>	<u>100.0</u>

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The following is a credit quality analysis of finance lease receivables:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	512,273	631,064	831,717
Past due but not individually impaired	3,577	5,070	1,608
Past due and individually impaired	—	31,794	40,777
	515,850	667,928	874,102
Less: Collective impairment allowance	(2,579)	(3,062)	(5,795)
Individual impairment allowance	—	(11,124)	(9,250)
	<u>513,271</u>	<u>653,742</u>	<u>859,057</u>

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

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than one month	1,682	1,361	308
More than one month but less than three months	1,895	2,185	424
More than three months but less than one year	—	1,524	876
More than one year but less than two years	—	—	—
	<u>3,577</u>	<u>5,070</u>	<u>1,608</u>

Management reviews and assess for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 December 2014, 2015 and 2016, aggregate carrying amounts of RMB3.6 million, RMB5.1 million and RMB1.6 million were past due respectively but our Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of RMB0.2 million, RMB0.1 million and RMB30,000 were provided on past due but not individually impaired finance lease receivables as at 31 December 2014, 2015 and 2016 respectively.

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Included in the individual impairment allowance are individually impaired finance lease receivables with aggregate balances of nil, RMB11.1 million and RMB9.3 million as at 31 December 2014, 2015 and 2016 respectively of which the customers are in financial difficulties.

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 and guarantee of the customers' companies and/or their related parties.

The following table sets forth the value of collaterals (by leased asset) and guarantees taken by our Group as security for our finance leases during the Track Record Period:

	As at 31 December		
	2014	2015	2016
	<i>(RMB million)</i>		
Value of collaterals by leased asset			
<i>Production machinery</i>	846.04	1,165.64	1,230.88
<i>Transportation assets</i>	38.74	56.95	112.60
<i>Medical equipment assets</i>	39.79	139.39	296.77
<i>Additional collateral</i>	0.60	0.60	158.9

As at 31 December 2014, 2015 and 2016, the value of collateral comprising medical equipment assets was RMB39.8 million, RMB139.4 million and RMB296.8 million, respectively. The increase was primarily due to the increase in the number of subsisting finance leases for the medical industry during the Track Record Period, and the medical industry remains one of our key target industries.

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The following table sets forth the percentage of our finance lease receivables covered by each type of collateral during the Track Record Period:

	As at 31 December		
	2014	2015	2016
Loan to value ratio by asset type			
<i>Production machinery</i>	54.8%	44.4%	49.2%
<i>Transportation assets</i>	72.2%	56.6%	57.9%
<i>Medical equipment assets</i>	69.1%	68.4%	68.5%

The loan to value ratios for all asset types decreased throughout the Track Record Period primarily due to collateral value increased at a higher rate than increase in finance lease receivables.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangement of our Group that needed to be recorded as at 31 December 2014 and 2015 and 2016, respectively.

As part of our normal business, our Group entered into finance lease receivable factoring arrangements (the “**Arrangements**”) and transferred certain finance lease receivables to an independent third party and state-owned commercial bank in the PRC (the “**Factors**”) during the year ended 31 December 2015 and 2016, respectively. Under the Arrangements, our Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to one day. Since our 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 ownership of the remaining finance lease receivables from the Arrangements occurred during the year ended 31 December 2015 were transferred back to our Company on 14 March 2016 due to the repayment of the associated borrowings for the year ended 31 December 2016. For details, please see note 16 to “Appendix I — Accountants’ Report” to this prospectus.

Factoring receivables

Net factoring receivables represent factoring receivables less provision for factoring receivables. Net factoring receivables constitute 9.5%, 16.4% and 5.5% of our accounts receivable as at 31 December 2014, 2015, and 2016, respectively.

Our net factoring receivables increased by RMB73.9 million or 137.1% from RMB53.9 million as at 31 December 2014 to RMB127.8 million as at 31 December 2015, and decreased by RMB77.7 million or 60.8% to RMB50.1 million as at 31 December 2016. The increases as at 31 December 2014 and 2015 were primarily driven by the continuing expansion of our factoring business, and the decrease as at 31 December 2015 and 2016 was primarily due to the termination of certain factoring projects in the second half of 2016.

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The following is an ageing analysis of factoring receivables, as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than one month	13,960	17,211	1,333
More than one month but less than three months	5,835	23,005	23,216
More than three months but less than one year	34,121	87,631	20,095
More than one year but less than two years	—	—	5,413
	<u>53,916</u>	<u>127,847</u>	<u>50,057</u>

The effective interest rates of the above factoring ranged mainly from 7% to 15% per annum throughout the Track Record Period.

As at 31 December 2014, 2015 and 2016, our Group hold collateral with a carrying amount of RMB123.8 million, RMB508.8 million and RMB131.7 million respectively over these balances.

The following is an ageing analysis based on due dates of factoring receivables which are past due but not individually impaired, as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	53,916	113,329	44,644
Less than one month past due	—	—	—
Past due more than one month but less than one year	—	14,518	—
Past due more than one year but less than two years	—	—	5,413
	<u>53,916</u>	<u>127,847</u>	<u>50,057</u>

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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 to other customers with long business relationship. Based on past experience, our management believes that no impairment allowance is necessary as there has not been a significant change in credit quality.

The following table sets forth our factoring receivables by industry as at the dates indicated:

	As at 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Factoring receivables						
Education	20,000	36.9	22,000	16.8	—	—
Property leasing	12,030	22.2	61,000	46.6	—	—
Wholesale and retails	14,864	27.4	9,890	7.6	3,898	7.6
Manufacturing	7,293	13.5	25,606	19.6	38,576	74.7
Medical	—	—	12,300	9.4	9,140	17.7
	54,187	100.0	130,796	100.0	51,614	100.0
Less: Provision for factoring receivables	(271)		(2,949)		(1,557)	
	<u>53,916</u>		<u>127,847</u>		<u>50,057</u>	

Asset Quality/Policy for Provision of Impairment

We measure and monitor the asset quality of our finance lease and factoring receivables portfolio throughout the term of the lease. For further details of our asset quality management, please see “Risk Management and Operations — Credit Risk Management — Portfolio Management and Monitoring”. We classify our finance lease and factoring receivables using a five-category classification system, which is modelled with reference to (i) the statutory requirements relating to asset quality classification promulgated by the CBRC for finance lease companies and other financial institutions subject to its regulation and (ii) the asset quality classification system used by comparable finance lease and factoring companies in our industry. While there are no accounting standards that directly relate to our finance lease and factoring receivables classification system, our provisioning policies for financial assets are governed by relevant accounting standards and guidelines. For further details, please see the paragraph headed “Key Factors Affecting Our Results of Operations and Financial Conditions — Asset Quality and Provisioning Policy” in this section.

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Classification criteria

In determining the classification of our finance lease and factoring receivables portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our finance lease and factoring receivables. For details of our finance lease and factoring receivables classification criteria, please see “Business — Asset Quality/Policy for Provision of Impairment — Classification Criteria”.

Distribution of finance lease receivables by classification

The following tables set forth the asset quality of our finance lease receivables and movements in non-performing assets.

Distribution of Finance Lease Receivables by Asset Quality

	As at 31 December					
	2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%
Pass	515,850	100.0	612,306	91.7	827,851	94.7
Special mention	—	—	—	—	—	—
Substandard	—	—	55,622	8.3	46,251	5.3
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Present value of minimum lease payment	<u>515,850</u>	<u>100.0</u>	<u>667,928</u>	<u>100.0</u>	<u>874,102</u>	<u>100.0</u>

Non-performing assets⁽¹⁾

Non-performing assets ratio⁽²⁾	—	55,622	8.3	46,251	5.3
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⁽¹⁾ Non-performing assets are defined as those finance lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of finance lease receivables that can be reliably estimated. These finance lease receivables are classified as “substandard”, “doubtful” or “loss”.

⁽²⁾ The non-performing assets ratio is the percentage of non-performing assets over present value of minimum lease payment as at the respective dates.

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Movements in Non-Performing Assets

	Year ended 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	—	—	55,622
Downgrades ⁽¹⁾	—	55,622	28,593
Upgrades	—	—	—
Recoveries	—	—	(348)
Transfer-out	—	—	(37,616)
Write-offs	—	—	—
Closing balance	—	55,622	46,251

⁽¹⁾ Represents downgrades of finance lease receivables classified as pass or special mention at the end of the previous year and finance lease receivables newly re-classified in the current year to non-performing categories.

For our provisioning policy for bad and doubtful receivables, please see the paragraph headed “Critical Accounting Policies, Estimates and Judgements — Key Source of Estimates Uncertainty — Provision for Bad and Doubtful Receivables” in this section.

The non-performing finance lease receivables assets we had during the Track Record Period all arose from finance leasing transactions entered into before 31 December 2014, when we were in a relatively early stage of business development and were still refining our risk management procedures. We have continued to improve our risk management policies and procedures and, as a result of our efforts, our non-performing assets for all finance leases entered into during the years ended 31 December 2015 and 2016 amounted to nil as at the Latest Practicable Date.

We have entered into a sale and purchase agreement with an Independent Third Party in May 2016 whereby we have agreed to sell five non-performing finance lease receivables assets. For details on this sale, see “Business — Asset Quality/Policy for Provision of Impairment”.

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For our accounts receivable portfolio under our factoring business, we measure and monitor the asset quality of our accounts receivable portfolio similar to that for our finance lease receivables portfolio. For further details, please see “Risk Management and Operations — Credit Risk Management — Portfolio Management and Monitoring”. We also adopt the five-category classification system to assess and classify our factoring receivables. For further details, please see the paragraph headed “Key Factors Affecting Our Results of Operations and Financial Condition — Asset Quality and Provisioning Policy” in this section.

As at 31 December 2014, 2015 and 2016, non-performing factoring receivables amounted to nil, RMB16.9 million and RMB6.8 million, respectively, while the non-performing assets ratio for factoring receivables were nil, 12.9% and 13.1%, respectively. The non-performing factoring receivables we had during the Track Record Period all arose from factoring transactions we had entered into prior to 30 June 2015, when we were in a relatively early stage of business development for our factoring segment and were still refining our risk management procedures. We continued to improve our risk management policies and procedures and, as a result of our efforts, our non-performing assets for all factoring transactions entered into after 30 June 2015 amounted to nil as at the Latest Practicable Date.

We have entered into a sale and purchase agreement with an Independent Third Party in May 2016 whereby we have agreed to sell one non-performing factoring receivable asset in relation to tuition fees. For details on this sale, see “Business — Asset Quality/Policy for Provision of Impairment”.

As at 31 March 2017, 17.6% of our total accounts receivable before provision as at 31 December 2016 have been settled.

Certain other assets

Plant and equipment

Our plant and equipment comprise of office equipment, motor vehicles and leasehold improvements. Plant and equipment were RMB1.4 million, RMB1.1 million and RMB0.8 million as at 31 December 2014, 2015 and 2016, respectively, representing 0.2%, 0.1% and 0.1% of the total assets as at the same dates, respectively. The insignificant changes during the Track Record Period primarily reflected changes in the carrying value of leasehold improvements and office equipment.

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Other receivable

Our other receivable under non-current assets represents investments in 5% of the unlisted equity securities in an independent third party. As at 31 December 2014, 2015 and 2016, we recorded other receivable of nil, RMB1.5 million and nil, respectively, representing nil, 0.2% and nil of the total assets as at the same dates, respectively.

On 23 March 2015, our Group entered into a strategic cooperation agreement with an independent third party who transferred 5% equity interests of an unlisted company to our Group at a consideration of RMB1.5 million. The counterparty aimed to develop a long-term business relationship with us, with the assistance of our customer base and information channels to facilitate the growth of its business. Meanwhile, the principal business of the unlisted company includes supervision of collaterals, which can be supportive to our factoring operations. Since the strategic cooperation was still at the trial stage, we were not very familiar with the counterparty and the unlisted company and unsure about the viability of such strategic cooperation. As such, in order to safeguard our investment of RMB1.5 million, a deposit of an equivalent amount was demanded by us and received from the counterparty as a guarantee for its future redemption of the 5% equity interests whilst we are also entitled to a nominal annual return of RMB50,000.

We are entitled only to an annual return of RMB50,000 but not to share the profit or loss of the unlisted equity securities based on its 5% equity interests. As at 31 December 2016, as the cooperation did not materialise, our Group intended to dispose the equity interests in the near future therefore re-classified such other receivable as current asset. Subsequently in March 2017, the equity interests were disposed of by our Group.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprise of value-added tax recoverable prepayments and other deposits for tenders of our projects with government and state-owned enterprises. As at 31 December 2014, 2015 and 2016, we had prepayments, deposits and other receivables of RMB39.3 million, RMB45.7 million and RMB32.3 million, respectively, representing 5.6%, 5.1% and 3.3% of the total assets as at the same dates, respectively. Increase in prepayment, deposit and other receivables as at 31 December 2014 and 2015 primarily reflected increase in value-added tax recoverable from RMB38.3 million to RMB45.1 million primarily attributable to the expansion of our finance lease business. The decrease in prepayment, deposit and other receivables as at 31 December 2015 and 2016 primarily reflected decrease in value-added tax recoverable from RMB45.1 million to RMB26.2 million because there was relatively fewer newly commenced finance lease projects during the year ended 31 December 2016. For details of the VAT reform related information, see “Regulations — Laws and Regulations Relating to Taxation — Value-Added Tax”.

Available-for-sale financial assets

Our available-for-sale financial assets represent of PRC government bonds of RMB8.1 million, nil and nil as at 31 December 2014, 2015 and 2016, respectively. The PRC government bonds as at 31 December 2014 carry a return rate of 4.36% per annum payable with maturity period of one day and one day respectively. The fluctuation during the Track Record period was primarily for the purpose of allocating our capital resources more properly and efficiently to earn investment return with idle working capital.

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Amounts due from a shareholder/a fellow subsidiary/an intermediate holding company

Our amount due from an intermediate holding company represents our advance to Shanshan for deposit pledged to banks by the latter, to guarantee our interest-bearing bank borrowings. Our amount due from an intermediate holding company were RMB50.0 million, RMB45.0 million and nil as at 31 December 2014, 2015 and 2016, respectively, representing 7.1%, 5.1% and nil of the total assets as at the same dates, respectively. The significant decrease as at 31 December 2016 was primarily due to our repayment of borrowings. The existence of balance of RMB45.0 million as at 31 December 2015 was due to our early repayment of bank borrowings of RMB200.0 million, but the related pledged bank deposit was not released until the year of 2016.

All of the amounts due as at 31 December 2014 and 2015 are unsecured, interest-free, repayable on demand and of non-trade nature.

Cash and cash equivalents

As at 31 December 2014, 2015 and 2016, our Group had cash and cash equivalents deposited with banks in the PRC of RMB5.1 million, RMB18.8 million and RMB40.9 million, respectively, representing 0.7%, 2.1% and 4.1% of the total assets as at the same dates, respectively. As at 31 December 2016, included in cash and cash equivalents, there was highly liquid investments amounting to RMB33.0 million. Highly liquid investments represent capital guaranteed short-term investments in a stated-owned commercial bank in the PRC made on 30 December 2016 with a fixed interest rate of 1.5% per annum. It was subsequently redeemed on 13 January 2017 by our Group. For details of the fluctuations of our cash and cash equivalents during the Track Record Period, please see the paragraph headed “Liquidity and Capital Resources — Cash Flow” in this section.

RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, our Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business. Bank balances earn interest at floating rates based on daily bank deposit rates and the bank balances are deposited with creditworthy banks.

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings constitute the largest proportion of the total liabilities as at 31 December 2014 and 2016. As at 31 December 2014, 2015 and 2016, our Group had interest-bearing bank and other borrowings of RMB314.0 million, RMB101.3 million and RMB500.9 million, respectively, representing 65.0%, 16.7% and 73.9% of the total liabilities as at the same dates, respectively.

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Our interest-bearing bank and other borrowings consist primarily of bank loans and other borrowings. The following table sets forth a breakdown of our interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Secured				
- Bank loans	—	14,163	196,499	177,451
- Other borrowings	—	1,873	—	—
Guaranteed				
- Bank loans	14,000	10,200	—	—
Secured and guaranteed				
- Bank loans	300,000	75,021	—	—
Unsecured				
- Entrusted loan	—	—	304,417	308,692
	<u>314,000</u>	<u>101,257</u>	<u>500,916</u>	<u>486,143</u>

Our interest-bearing bank and other borrowings are incurred primarily to finance our finance leasing and factoring business. The balance of our interest-bearing bank and other borrowings decreased significantly by RMB212.7 million, or 67.7% from RMB314.0 million as at 31 December 2014 to RMB101.3 million as at 31 December 2015, and increased to RMB500.9 million as at 31 December 2016. Such increase was primarily attributable to a entrusted loan from an independent third party through a state-owned commercial bank in the PRC. The balance bore fixed interest rate of 5.7% per annum.

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

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

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Our Group regularly monitors our compliance with these covenants, is up to date with the scheduled repayments of the bank and other borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment for so long as our Group continues to meet these requirements. Further details of our Group's management of liquidity risk are set out in the paragraph headed "Quantitative and Qualitative Disclosures about Financial Risks" in this section. As at 31 December 2014, 2015 and 2016, none of the covenants relating to drawn down facilities had been breached.

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

- pledged over our Group's pledged bank deposits of RMB785,250 which carried fixed interest rate of 2.475% per annum as at 31 December 2015;
- our Company's intermediate holding company has guaranteed certain of our Group's bank loans up to RMB314.0 million and RMB85.2 million as at 31 December 2014 and 2015, respectively;
- pledged deposits provided by our Company's intermediate holding company of RMB50.0 million and RMB45.0 million as at 31 December 2014 and 2015, respectively; and
- finance lease receivable with the carrying amount of RMB221.5 million as at 31 December 2016.

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

	As at 31 December			As at 31 March
	2014	2015	2016	2017
Fixed rates bank loans	4.50% to 5.88%	4.25% to 6.63%	4.75%	4.75%

Other borrowings represent the borrowings from an Independent Third Party with the balance secured by the finance lease receivables of RMB11.8 million as at 31 December 2015. The balance bore interest at effective interest rate at range of 7.68% to 9.00% per annum.

As at 31 December 2016, the Group has unutilised banking facilities of RMB203.5 million available for draw down.

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Our Directors estimate the fair value of the interest-bearing bank and other borrowings by discounting their future cash flows at the market rate and our Directors considered that the carrying amounts of our Group's interest-bearing bank and other borrowings approximate to their fair values as at 31 December 2014, 2015 and 2016.

As at 31 December 2014, 2015 and 2016 and 31 March 2017, our total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	As at 31 December			As at 31 March
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
On demand or within one year	114,000	101,257	380,692	384,916
More than one year, but not exceeding two years	200,000	—	71,266	63,587
More than two years, but not exceeding five years	—	—	48,958	37,640
After five years	—	—	—	—
	<u>314,000</u>	<u>101,257</u>	<u>500,916</u>	<u>486,143</u>

As at 31 December 2014, 2015 and 2016, our total indebtedness, including interest-bearing bank and other borrowings and amount due to an intermediate holding company, was RMB339.1 million, RMB423.6 million and RMB500.9 million, respectively.

During the Track Record Period, our Group had amounts due from/to Shanshan, a Controlling Shareholder of our Company, which arose from intercompany borrowings with Shanshan (the “**Intercompany Borrowings**”). The Intercompany Borrowings were unsecured, interest-free, and repayable on demand up until 17 May 2016. Since 18 May 2016, the amount due from/to Shanshan carried a fixed interest rate of 4.35%, based on the prevailing PBOC benchmark one-year lending rate.

Assuming the Intercompany Borrowings carried interest at an interest rate equivalent to the prevailing PBOC benchmark one-year lending rate ranging from 4.35% to 6.00% during the Track Record Period, the additional notional finance costs, calculated based on the periods when our Group had net amounts due to Shanshan and the corresponding PBOC benchmark one-year lending rates during those periods, would have increased by RMB0.3 million, RMB0.5 million and RMB3.3 million, respectively, for the Track Record Period, and accordingly, the net profit after taxation would have been reduced by RMB0.2 million, RMB0.3 million and RMB2.5 million, respectively, for the Track Record Period.

As at 31 March 2017, being the latest practicable date for the purpose of indebtedness statement for this prospectus, our Group had unutilised credit facilities made available to us by two commercial banks in the aggregate amount of approximately RMB222.5 million to be drawn down and no utilised credit facilities and outstanding bank borrowings.

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In September 2016, our Group obtained an entrusted loan of RMB300.0 million at a final interest rate of 5.7% per annum, and the loan was utilised to repay part of the amount due to Shanshan. For details on this loan, see “Business — Our Lenders and Funding Capabilities”. Subsequently in November and December 2016, our Group obtained two loan of RMB100.0 million each at a fixed interest rate of 4.75% per annum, by pledging our finance lease receivables, for the intended use of funding the repayment of the balance of the amount due to Shanshan and expanding our Group’s finance lease and factoring businesses.

In this regard, our Directors expect that our finance costs in 2017 would be higher than that in the first half of 2016 due to the change of loan structure from (i) interest-free intercompany borrowings to interest-bearing intercompany borrowings and bank and other borrowings; and (ii) intercompany borrowings with lower interest rate to bank and other borrowings with higher interest rate, which would have adverse impact on the financial results of our Group.

Other payables and accruals

Our other payables and accruals amounted to RMB13.1 million, RMB58.8 million and RMB54.4 million as at 31 December 2014, 2015 and 2016, respectively, representing 2.7%, 9.7% and 8.0% of the total liabilities as at the same dates, respectively. Other payables and accruals primarily include accruals, deposits from finance lease customers, deposits from suppliers, other payables and others.

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Other payables	8,473	5,127	3,936
Deposits from finance lease customers	1,910	45,528	40,661
Deposits from suppliers	—	851	530
Accruals	1,444	2,182	5,228
Others	1,236	5,126	4,004
	<u>13,063</u>	<u>58,814</u>	<u>54,359</u>

Other payables

Our other payables are mainly purchase price payables to equipment suppliers for equipment under finance leases, amounting to RMB1.6 million, RMB2.6 million and RMB1.2 million as at 31 December 2014, 2015 and 2016 and representing 0.3%, 0.4% and 0.2% of the total liabilities as at the same dates, respectively.

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Deposits from finance lease customers and deposits from suppliers

Our deposits from finance lease customers represent lease deposits collected from our finance leasing customers and are calculated based on a certain percentage of the entire value of the lease contract, while our deposit from suppliers represent deposits received from our equipment suppliers as security for default payments. The following table sets forth a breakdown of our deposits from finance lease customers and suppliers by current and non-current portions, as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
<i>Current liabilities</i>			
Deposits from finance lease customers	1,910	45,528	40,661
Deposits from suppliers	—	851	530
	<u>1,910</u>	<u>46,379</u>	<u>41,191</u>
<i>Non-current liabilities</i>			
Deposits from finance lease customers	88,735	90,689	104,284
Deposits from suppliers	<u>7,564</u>	<u>17,696</u>	<u>16,272</u>
	<u>96,299</u>	<u>108,385</u>	<u>120,556</u>

Deposits from finance lease customers and suppliers under current liabilities amounted to RMB1.9 million, RMB46.4 million and RMB41.2 million as at 31 December 2014, 2015 and 2016, representing 0.4%, 7.7% and 6.1% of the total liabilities as at the same dates, respectively. The increase in deposits from finance lease customers under current liabilities as at 31 December 2015 was primarily attributable to the increase in our finance lease income and number of our finance lease newly commenced projects for the year ended 31 December 2015.

Deposits from finance lease customers and suppliers under non-current liabilities refer to the amount of customer's and supplier's deposits of which the finance leases are expected to expire after 12 months from the years ended 31 December 2014, 2015 and 2016, respectively. Deposits from finance lease customers and suppliers under non-current liabilities amounted to RMB96.3 million, RMB108.4 million and RMB120.6 million as at 31 December 2014, 2015 and 2016, representing 20.0%, 17.9% and 17.8% of the total liabilities as at the same dates, respectively. The relatively high amount of deposits from suppliers under non-current liabilities as at 31 December 2015 and 2016 was primarily due to the increase in our finance lease income and number of our finance lease newly commenced for the years ended 31 December 2015 and 2016. As at 31 December 2016, trade balances of RMB0.8 million due to a related company, Longding Huayuan, were included in deposits from finance lease customers from non-current liabilities.

Accruals

Our accruals represent accrued staff salaries and benefits, and amounted to RMB1.4 million, RMB2.2 million and RMB5.2 million as at 31 December 2014, 2015 and 2016, representing 0.3%, 0.4% and 0.8% of the total liabilities as at the same dates, respectively. The relatively large balance of accruals as at 31 December 2015 and 2016 was generally in line with the total salaries and benefits for our sales personnel and administrative staff.

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Others

Others mainly include premium received from customers for insurance arrangement on behalf of customers, amounting to RMB1.2 million, RMB5.1 million and RMB4.0 million as at 31 December 2014, 2015 and 2016 and representing 0.3%, 0.8% and 0.6% of the total liabilities as at the same dates, respectively. Since 2015, we required our customers to pay for the insurance in advance upon commencement of finance leases, leading to the increase in balances as at 31 December 2015 and 2016.

Our Directors considered the carrying amounts of other payables and accruals approximate to their fair values.

Certain other liabilities

Receipt in advance

Our receipt in advance mainly represents the unearned management fee from factoring business over the period of factoring arrangement, which will be recognised in accordance with the progress of the service rendered. The following table sets forth a breakdown of our receipt in advance by current and non-current portions, as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Current portion	305	959	360
Non-current portion	<u>42</u>	<u>77</u>	<u>71</u>
	<u>347</u>	<u>1,036</u>	<u>431</u>

The relatively high amount of receipt in advance as at 31 December 2015 was primarily due to the relatively high management fees include in our factoring income for the year ended 31 December 2015.

Amounts due to shareholders/ amount due to a fellow subsidiary/an intermediate holding company

Our Group had amounts due to shareholders of RMB9.3 million as at 31 December 2015. Our amount due to a fellow subsidiary as at 31 December 2014 represented the consideration relating to the acquisition of Beijing Medical of RMB32.1 million which was repayable within 12 months from 23 April 2014. This balance had been fully settled during the year ended 31 December 2015. Amounts due to shareholders and a fellow subsidiary were unsecured, interest-free, repayable on demand and of non-trade nature. Our amount due to an intermediate holding company were primarily for the

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operation of our finance lease and factoring business and amounted to RMB25.1 million, RMB322.4 million and nil as at 31 December 2014, 2015 and 2016. Amount due to an intermediate holding company was unsecured, repayable on demand and of non-trade nature, and was interest-free for the years ended 31 December 2014 and 2015.

As at 31 December 2016, all of the amount due to intermediate holding company was repaid.

CONTRACTUAL COMMITMENTS

Operating lease commitments

As at 31 December 2014, 2015 and 2016, our Group's total future minimum rental payable under non-cancellable operating leases in respect of rent premises are as follows:

	As at 31 December		
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,533	1,129	1,145
In the second to fifth year	859	95	121
	<u>2,392</u>	<u>1,224</u>	<u>1,266</u>

Our Group leases a number of premises under operating leases. The leases run for an initial period of 1 to 3 years during the Track Record Period. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

Capital commitments

As at 31 December 2014, 2015 and 2016, our Group's capital commitments for the acquisition of property, plant and equipment, which are contracted for but not yet incurred amounted to nil, nil, and RMB0.4 million, respectively.

INDEBTEDNESS

Our total indebtedness as at 31 December 2014, 2015, 2016 and 31 March 2017 were RMB339.1 million, RMB423.6 million, RMB500.9 million and RMB486.1 million, respectively.

For further details, see "Description of Certain Items of Consolidated Statements of Financial Position — Interest — Bearing Bank and Other Borrowings" and "Description of Certain Items of Consolidated Statements of Financial Position — Certain Other Liabilities — Amounts Due to Shareholders/Amount Due to a Fellow Subsidiary/an Intermediate Holding Company".

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Contingent liabilities

As at the end of each reporting period during the Track Record Period and as at 31 March 2017, we did not have any significant contingent liabilities.

Save as disclosed above and apart from intra-group liabilities, our Group did not have any other borrowings, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, any material off-balance sheet commitments or any guarantee or arrangements or other material contingent liabilities outstanding as at 31 December 2016 and 31 March 2017. Our Directors confirm that, other than as disclosed in this prospectus, there has not been any material adverse change in our indebtedness since 31 March 2017, being the latest practicable date for the preparation of the indebtedness statement for this prospectus.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangement or contingencies except as disclosed under the paragraph headed “Indebtedness” in this section.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants’ Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates or for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
Gross Profit Margin (%) ⁽¹⁾	57.1	66.2	86.3
Net Profit Margin (%) ⁽²⁾	9.2	10.2	21.3
Return on equity (%) ⁽³⁾	2.1	2.4	5.2
Return on total assets (%) ⁽⁴⁾	0.7	0.8	1.6
	As at 31 December		
	2014	2015	2016
Current ratio ⁽⁵⁾	1.1	1.2	0.9
Gearing ratio ⁽⁶⁾	1.5	1.4	1.6

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Notes:

- (1) We calculated gross profit margin for the years ended 31 December 2014, 2015 and 2016 on gross profit divided by revenue for the respective period and multiplied by 100%.
- (2) We calculated net profit margin for the years ended 31 December 2014, 2015 and 2016 on net profit divided by revenue for the respective period and multiplied by 100%.
- (3) We calculated return on equity for each of the years ended 31 December 2014, 2015 and 2016 based on the net profit for the respective period divided by the total equity as at the respective dates and multiplied by 100%.
- (4) We calculated return on total assets for each of the years ended 31 December 2014, 2015 and 2016 based on the net profit for the respective period divided by the total assets as at the respective dates and multiplied by 100%.
- (5) We calculated current ratio as at 31 December 2014, 2015 and 2016 based on the total current assets divided by the total current liabilities as at the respective dates.
- (6) We calculated gearing ratio as at 31 December 2014, 2015 and 2016 based on the total debt (which includes interest-bearing bank and other borrowings and amount due to an intermediate holding company) divided by total equity as at the respective dates.

Gross profit margin

For details on our gross profit margin, please see the paragraph headed “Description of Selected Items in Consolidated Statements of Comprehensive Income — Gross Profit and Gross Profit Margin” in this section.

Net profit margin

Our net profit margin was 9.2%, 10.2% and 21.3% for the years ended 31 December 2014, 2015 and 2016, respectively. The continuous increase in net profit margin during the Track Record Period was primarily due to the increase of our gross profit as a result of the increase in our revenue, partially offset by the increase in our administrative expenses and Listing expenses, respectively, during the Track Record Period.

Return on equity

Our return on equity was 2.1%, 2.4% and 5.2% for the years ended 31 December 2014, 2015 and 2016, respectively. The continuous increase was mainly because our net profit increased more than our total equity in terms of percentage. Our total equity increased by 29.8% from RMB225.8 million as at 31 December 2014 to RMB293.1 million as at 31 December 2015 and further increased by 5.5% to RMB309.3 million as at 31 December 2016. Our net profit increased by 47.9% from RMB4.8 million for the year ended 31 December 2014 to RMB7.1 million for the year ended 31 December 2015 and further increased by 128.2% to RMB16.2 million for the year ended 31 December 2016.

Return on total assets

Our return on total assets remained relatively stable at 0.7% and 0.8% for the years ended 31 December 2014 and 2015, respectively. And the relatively higher return on total assets of 1.6% for the year ended 31 December 2016 was primarily due to the increase of our gross profit as a result of the increase in our revenue.

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Current ratio

Our current ratio was 1.1, 1.2 and 0.9 as at 31 December 2014, 2015 and 2016, respectively. Our current ratio remained stable during the Track Record Period, mainly due to the fact that our current liabilities kept in the same pace with our current assets growth.

Gearing ratio

Our gearing ratio was 1.5, 1.4 and 1.6 as at 31 December 2014, 2015 and 2016, respectively. Our gearing ratio remained relatively stable during the Track Record Period, mainly due to the fact that our total debt was kept in the same pace with our total equity.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

The main risks arising from our Group's financial instruments in the normal course of our Group's business are credit risk, liquidity risk, interest rate risk, currency risk and fair value risk. These risks are limited by our Group's financial management policies and practices described below.

Credit risk

As at the end of the Track Record Period, our Group's maximum exposure to credit risk which may cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to accounts receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of our Group reviews the recoverable amount of each individual receivable at the end of the Track Record Period to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of our Group's pledged bank deposits and cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

Our Group's concentration of credit risk on the accounts receivable as at 31 December 2014, 2015 and 2016 included five major counterparties accounting for 18%, 33% and 41% of the accounts receivable respectively. Our Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

Our Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. Our Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customers base as appropriate.

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As the customers of our Group are widely dispersed and are engaged in different industries, and our Group has closely monitored the market trend of these industries in the PRC and the business performance of our customers to ensure the timely collection of the accounts receivable, there is no significant credit risk concentration within our Group.

Liquidity risk

Our Group's policy is to regularly monitor our liquidity requirements to ensure that we maintains sufficient reserves of cash to meet our liquidity requirements in the short and long term. The management is satisfied that our Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

See "Appendix I — Accountants' Report" to this prospectus for the table detailing the remaining contractual maturities at the end of the Track Record Period of our Group's financial assets and financial liabilities.

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in our Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in our Group fair value interest rate risk.

Other than cash and cash equivalents, accounts receivable, amount due to intermediate holding company and interest-bearing bank and other borrowings, our Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to our Group.

Our Group's interest rate risk arises primarily from the floating rate cash and cash equivalent and interest-bearing bank and other borrowings. Cash and cash equivalent at floating rates expose our Group to cash flow interest rate risk. Interest-bearing bank and other borrowings at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2014, 2015 and 2016, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase our Group's profit for the year (through the impact on our Group's cash and cash equivalents and interest-bearing bank and other borrowing which are subject to floating interest rate) by RMB19,041, RMB70,606 and RMB29,660. For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on our Group's profit for the year/period. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

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The measures to manage interest rate risk have been followed by our Group for the Track Record Period and are considered to be effective.

Currency risk

Our Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. No foreign currency risk has been identified since all the financial assets and financial liabilities are denominated in RMB, which is the functional currency of our Company and the subsidiaries in the PRC to which these transactions relate.

Fair value risk

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis. Our Directors considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

DISCLOSURE REQUIRED UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be RMB26.9 million. As at 31 December 2016, we have incurred listing expenses of RMB11.5 million for the Share Offer, of which RMB8.7 million has been charged to our consolidated statements of comprehensive income and RMB2.8 million has been included in prepayments, which will be recognised as a deduction in equity upon completion of the Share Offer. We expect to incur an additional listing expenses of RMB15.4 million until the completion of the Share Offer, of which RMB8.3 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 December 2017 and RMB7.1 million is expected to be recognised as a deduction in equity directly. We do not expect these expenses to have a material adverse impact on our results of operation during the year ending 31 December 2017.

DIVIDEND

No dividend had been declared or distributed by our Company since its incorporation up to and including the Latest Practicable Date.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such

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time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Company Law, including the approval of our Shareholders. After the Listing, we currently intend to distribute no less than 30% of our annual distributable profits as dividends for the year ending 31 December 2017 and each year thereafter.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

There can be no assurance that we will be able to declare or distribute any dividend after completion of the Share Offer, and as at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 31 December 2016, our distributable reserves were RMB17.1 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the consolidated net tangible assets of our Group after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Share Offer been completed on 31 December 2016 or at any future dates.

The unaudited pro forma adjusted consolidated net tangible assets of our Group as at 31 December 2016 is based on the audited consolidated net tangible assets of our Group as at 31 December 2016 as shown in the Accountants’ Report set out in Appendix I to this prospectus and the adjustments described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Notes 2,4)</i>		<i>(Notes 3,4)</i>	
Based on Offer Price of HK\$1.31 per Offer Share	<u>309,285</u>	<u>90,023</u>	<u>399,308</u>	<u>1.11</u>	<u>1.24</u>
Based on Offer Price of HK\$1.87 per Offer Share	<u>309,285</u>	<u>135,093</u>	<u>444,378</u>	<u>1.24</u>	<u>1.38</u>

FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of our Group as at 31 December 2016 are based on audited consolidated net assets of our Group as at 31 December 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 89,840,000 new Shares to be issued at the minimum and maximum Offer Price of HK\$1.31 and HK\$1.87 per Share, respectively, after deduction of the underwriting fees and related expenses payable by our Company which has not been reflected in net tangible assets of our Group as at 31 December 2016. No account has been taken of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 359,340,000 Shares in issue immediately following the completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.
4. The pro forma adjusted consolidated net tangible assets per Share are converted from Renminbi into Hong Kong dollars at the rate of RMB0.89583=HK\$1. No representation is made that the amounts in Renminbi have been, could have been or could be converted into Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2016.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to focus on expanding our finance leasing and factoring business without compromising our stringent risk management measures. As a result of our effective and mature risk management measures, no additional non-performing finance leasing assets during the three months ended 31 March 2017 have been identified by us. During the three months ended 31 March 2017, we provided a total financing amount of RMB95.6 million in respect of 19 finance leases contracts entered into, compared with a total financing amount of RMB76.7 million provided for the same period in 2016 in respect of 21 finance leases contracts entered into. The increase in total financing amount was primarily due to our strategy in developing higher quality customers who generally have larger financing needs to expand their operations. In relation to our factoring business, during the three months ended 31 March 2017, we have provided a total financing amount of RMB5.0 million in respect of the one factoring agreement entered into, compared with a total financing amount of RMB11.8 million provided for the same period in 2016 in respect of three factoring agreements entered into. The decrease was primarily due to our strategy to gradually reduce our number of factoring projects in the industrial and manufacturing industries, which generally have larger financing amounts per project.

Our Group's gross profit margin is expected to decline in 2017 as compared to that of 2016 mainly due to the expected increase in our Group's direct costs in 2017. Such increase is mainly due to the change of our loan structure from intercompany borrowings with lower average interest rate for most of the time throughout 2016 to bank and other borrowings with higher average interest rate expected throughout 2017. As at 31 December 2016, our bank and other borrowings, which amounted to RMB500.9 million, carried interest rates ranging from 4.75% to 5.7% per annum. For the year ending 31 December 2017, we expect that our bank and other borrowings will remain at similar or higher levels in view of our Group's growing business scale and hence our direct costs for the same year is expected to be significantly higher than our direct costs of RMB10.5 million for the year ended 31 December 2016. For details on the expected increase in our Group's direct costs, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Interest-bearing bank and other borrowings".

FINANCIAL INFORMATION

The *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (“**New VAT law**”, which became effective on 1 May 2016, have implemented new tax rates applicable to finance leasing and factoring transactions. For further details, see “Regulations — Laws and regulations relating to taxation — Business tax”. As at the Latest Practicable Date, we have not noticed any material changes to our finance leasing and factoring operations as a result of the implementation of the New VAT law.

In March 2017, we entered into an agreement with a finance lease customer pursuant to which we agreed to early repayment of the outstanding finance lease receivables in respect of three finance lease transactions, which were entered into during the year ended 31 December 2015. As at 28 February 2017, the outstanding finance lease receivables (netting off security deposits, receipt in advance, and collective impairment allowance) amounted to RMB44.5 million. The consideration after deducting VAT of RMB42.2 million was determined based on arm’s length negotiation, and was received in full by us. Accordingly, we incurred a loss of RMB2.3 million. The Directors are of the view that the early repayment by that customer was in the interests of the Group because (i) we closely monitor our portfolio and we became aware that this customer might be in financial difficulty, and although that customer did not default on any of its payments to us, we initiated the negotiation to settle at a consideration lower than the outstanding finance lease receivables (netting off security deposits, receipt in advance, and collective impairment allowance) to limit our exposure; (ii) despite the loss of RMB2.3 million, these three transactions generated an aggregate finance lease income of RMB6.5 million up to the date of repayment; and (iii) the early repayment would allow us to redeploy the funding in other potential finance lease transactions.

Our Directors have confirmed that, since 31 December 2016 and up to the date of this prospectus, save as disclosed above in this subsection, there has been no material adverse change in our Group’s financial or trading position.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “Business — Our Strategies” for a detailed description of our future plans.

REASONS FOR THE SHARE OFFER

Our Directors believe that the Share Offer will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out in the paragraph headed “Implementation Plans” in this section.

USE OF PROCEEDS

The estimated net proceeds of the Share Offer which we will receive, assuming an Offer Price is fixed at low-end, mid-point and high-end of the Share Offer Price range stated in this prospectus with and without exercising the Offer Size Adjustment Option after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer are set out in the table below.

Estimated net proceeds of the Share Offer			
	Offer Price of HK\$1.31 per Offer Share (low-end of Offer Price)	Offer Price of HK\$1.59 per Offer Share (mid-point of Offer Price)	Offer Price of HK\$1.87 per Offer Share (high-end of Offer Price)
	(RMB million)	(RMB million)	(RMB million)
Offer Size Adjustment Option exercised in full	94.5	119.5	144.5
Offer Size Adjustment Option not exercised	79.3	101.0	122.8

We intend to use the net proceeds of the Share Offer for the following purposes:

- approximately 75% of the net proceeds for expanding our finance leasing operations;
- approximately 20% of the net proceeds for expanding our factoring operations; and
- the remaining amount of approximately 5% will be used to provide funding for our working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 31 December 2019 for carrying out our business strategies are set out below, assuming the Offer Price is fixed at mid-point of the Offer Price range without exercising the Offer Size Adjustment Option. The following implementation plans are formulated on the bases and assumptions set out in the sub-paragraph headed “Bases and Key Assumptions” below in this paragraph and are subject to uncertainties, variables and unexpected factors. There is no assurance that the implementation plans will materialise in accordance with the timetable below or that our business objectives will be accomplished at all.

a) Expanding our finance leasing operations

Upon Latest Practicable Date to 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total	Approximate % of net proceeds
RMB million							
75.8	—	—	—	—	—	75.8	75.0

b) Expanding our factoring operations

Upon Latest Practicable Date to 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total	Approximate % of net proceeds
RMB million							
20.2	—	—	—	—	—	20.2	20.0

FUTURE PLANS AND USE OF PROCEEDS

c) Working capital and other general corporate purposes

Upon Latest Practicable Date to 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total	Approximate % of net proceeds
RMB million							
1.0	1.0	1.0	1.0	1.0	—	5.0	5.0

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is our present intention that such net proceeds will be deposited into interest bearing bank accounts with licensed financial institutions in Hong Kong.

Bases and key assumptions:

The implementation plans are based on the following bases and key assumptions:

- there will be no material changes in the existing applicable laws, policies or industry or regulatory treatment or in the political, fiscal, foreign trade or economic conditions in Hong Kong, the PRC and other places in which our Group operates or intends to operate;
- there will be no significant changes in the interest rates or the currency exchange rates from those currently prevailing;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- the Share Offer will be completed in accordance with and as described in “Structure and Conditions of the Share Offer”;
- our Group will not be materially affected by the risk factors as set out under “Risk Factors”; and
- our Group will be able to continue our operation in substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or the implementation of our development plans.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are expected to be fully underwritten by the Placing Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangements is contained in “Underwriting”.

UNDERWRITING

UNDERWRITERS

Sole Bookrunner and Sole Lead Manager

Dongxing Securities (Hong Kong) Company Limited

Co-Managers

KGI Capital Asia Limited
SPDB International Capital Limited
Huabang Securities Limited

Public Offer Underwriters

Dongxing Securities (Hong Kong) Company Limited
KGI Capital Asia Limited
SPDB International Capital Limited
Huabang Securities Limited

Placing Underwriters

Dongxing Securities (Hong Kong) Company Limited
KGI Capital Asia Limited
SPDB International Capital Limited
Huabang Securities Limited

UNDERWRITING ARRANGEMENTS

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

UNDERWRITING

Grounds for termination

The Sole Bookrunner, at its sole and absolute discretion, may, for itself and on behalf of the other Public Offer Underwriters, upon giving notice in writing to the Company made pursuant to the Public Offer Underwriting Agreement, terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Tuesday, 23 May 2017):

- (A) there has come to the notice of the Sole Bookrunner:
 - (i) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the context of the Public Offer;
 - (ii) any material statement contained in this prospectus which is discovered to be or becomes untrue, incorrect or misleading in any respect;
 - (iii) any material breach by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement;
 - (iv) any adverse change or a prospective adverse change in the business, results of operation, financial or trading position, or prospects of the Group as a whole the effect of which is so material and adverse as to make it impracticable or inadvisable to proceed with the Share Offer;
 - (v) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - (vi) any person (other than the Sole Bookrunner and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus; or
- (B) there shall develop, occur, exist or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
 - (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or the PRC (the “**Relevant Jurisdictions**”);

UNDERWRITING

- (ii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Singapore Stock Exchange due to exceptional financial circumstances or otherwise;
- (iii) any change or development involving a prospective material change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions;
- (iv) any change or development or event involving a prospective material change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects;
- (v) any change or development (whether or not permanent), or any event or series of events resulting in any change in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting any of the Relevant Jurisdictions;
- (vi) a general moratorium on commercial banking business activities in Hong Kong (imposed by the Financial Secretary or Hong Kong Monetary Authority or other competent authority) or any of the other Relevant Jurisdictions declared by the relevant authorities;
- (vii) any event of force majeure including but without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is or has been declared), riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic, act of terrorism, earthquake, strike, lock-out or other state of emergency or calamity in or affecting any of the Relevant Jurisdictions;
- (viii) any litigation or claim of any third party being threatened or instigated against any member of the Group, the executive Directors and/or the Controlling Shareholders;
- (ix) any change or development involving a prospective change, or materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;
- (x) any imposition of economic sanctions, in whatever form, directly or indirectly, by or to any of the Relevant Jurisdictions;

UNDERWRITING

- (xi) a petition is presented for the winding up or liquidation of any member of the Group, or any member of the Group make any compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which such member of the Group is liable prior to its stated maturity;
- (xiii) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any action, against any Director affecting his or her suitability to act as a Director;
- (xiv) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company;
- (xv) the chairman of the Company vacating his office;
- (xvi) any prohibition on the Company for whatever reason from allotting the Offer Shares pursuant to the Share Offer and the terms set out in the Public Offer Underwriting Agreement and this prospectus;
- (xvii) other than with the approval of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the issue or the requirement to issue by the Company of any supplement or amendment to this prospectus (or to any documents used in connection with the Share Offer) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
- (xviii) any event which gives rise or would give rise to any liability on the part of the Company and/or the Controlling Shareholders pursuant to the indemnity provisions contained in the Public Offer Underwriting Agreement; or
- (xix) a breach of any of the representations, warranties and undertakings contained in the Public Offer Underwriting Agreement or of any of the other obligations imposed upon or undertakings given by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters under the Public Offer Underwriting Agreement,

UNDERWRITING

which, individually or in aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters):

- (a) is or will or is likely to be materially adverse to the business, financial condition or prospects of the Company and/or the Group taken as a whole;
- (b) has or will have or is likely to have a material adverse effect on the success of the Share Offer; or
- (c) makes or will make or is likely to make it inappropriate, inadvisable or inexpedient to proceed with the Share Offer.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertakings by our Company

We have undertaken to the Stock Exchange that we shall not issue any further H Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such H Shares or securities within six months from the Listing Date (whether or not such issue of H Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer, the Offer Size Adjustment Option or permitted under the GEM Listing Rules, they shall not and will procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s) (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any securities in our Company beneficially owned by he/she/it in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by he/she/it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the GEM Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertakings by our Company

We have undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the other Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer (including pursuant to the Offer Size Adjustment Option) and provided that the below restrictions shall not apply to any pledge or charge of Shares by any of our Controlling Shareholders in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the Shares, debt capital or other securities or any interest in our Company;

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable);
- (iii) enter into any transaction with the same economic effect as any transactions specified in (i) or (ii) above;
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

We have also undertaken that we will not, and will procure each other member of our Group and each of our Controlling Shareholders not to, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction, such that our Controlling Shareholder would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company during the period of twelve months immediately following the expiry of the First Six-Month Period (the “**Additional 12-Month Period**”), provided that the above restrictions shall not apply to any pledge or charge of Shares by any of our Controlling Shareholders in favour of any authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

In the event that, during the Additional 12-Month Period, our Company or any of the member(s) of our Group or Controlling Shareholder(s) enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company (or the relevant member(s) of our Group) or Controlling Shareholder(s)) shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, has undertaken jointly and severally to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the other Public Offer Underwriters that, except in

UNDERWRITING

compliance with the requirements under Rule 13.15(5)(a) of the GEM Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the other Public Offer Underwriters):

- (a) at any time during the First Six-Month Period, he/she/it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for him/her/it and the companies controlled by he/her/it (together, the “**Controlled Entities**”) shall not,
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge of our Company’s issued share capital after the consummation of the Share Offer (assuming the Offer Size Adjustment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 13.18 of the GEM Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by him/her/it directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities;
 - (iii) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (iv) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) at any time in the six-month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”) and the six month period commencing on the date on which the Second Six-Month Period expires (the “**Third Six-Month Period**”, together with the Second Six-Month Period, the (“**Additional 12-Month Period**”), he/she/it shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest

UNDERWRITING

or encumbrance pursuant to such transaction, he/she/it would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the GEM Listing Rules;

- (c) until the expiry of the Additional 12-Month Period, in the event that he/she/it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees or announces any intention to effect any such transactions, he/she/it shall take all reasonable steps to ensure that he/she/it will not create a disorderly or false market for any Shares or other securities of our Company; and
- (d) at any time during the First Six-Month Period or the Additional 12-Month Period (where applicable), (i) our Controlling Shareholders will, if he/she/it pledges or charges any Shares or other securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company, the Sole Bookrunner and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) our Controlling Shareholders will, if it or he receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us, the Sole Bookrunner and, if required, the Stock Exchange of any such indication.

The undertakings given by our Controlling Shareholders under the Public Offer Underwriting Agreement for the First Six-Month Period and the Second Six-Month Period are customary for similar underwriting arrangements, whereas the undertakings covering the Third Six-Month Period are additional and of voluntary nature.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the other Public Offer Underwriters that, within the period from the date by reference to which disclosure of their shareholding in the Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

UNDERWRITING

Placing

Placing Underwriting Agreement

In connection with the Placing, the Controlling Shareholders, executive Directors and the Company expect to enter into the Placing Underwriting Agreement with the Sole Bookrunner and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 80,856,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

It is expected that pursuant to the Placing Underwriting Agreement, (i) the Company and (ii) each of the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in “Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of the Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by him/her/it in the Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the “Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

COMMISSION AND EXPENSES

We will pay the Sole Bookrunner (for itself and on behalf of the other Underwriters) an underwriting commission at the rate of 3.5% of the aggregate Offer Price in respect of the Public Offer Shares initially offered under the Public Offer (excluding any Offer Shares reallocated from the Placing to the Public Offer and any Offer Shares reallocated from the Public Offer to the Placing), out of which the Underwriters will pay all (if any) sub-underwriting commissions.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Share Offer are estimated to amount to approximately HK\$30.1 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the mid-point of our indicative price range for the Share Offer, being HK\$1.59 per Offer Share).

UNDERWRITING

SOLE SPONSOR'S, SOLE BOOKRUNNER'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee. The Sole Bookrunner (for itself and on behalf of the Underwriters) will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and Expenses" in this section.

Our Company has appointed the Sole Sponsor as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated in accordance with its terms and conditions.

Save for the obligations and the interests under the Underwriting Agreement as disclosed above, none of the Sole Sponsor, the Sole Bookrunner nor the Underwriters have any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreement.

STAMP TAXES

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

INDEMNITY

We have jointly and severally undertaken to indemnify and keep indemnified on demand (or an after-tax basis) and hold harmless each of the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and other Public Offer Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to Sponsor set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE OF THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 8,984,000 H Shares (subject to reallocation as mentioned below) as described under “The Public Offer” in this section; and
- the Placing of 80,856,000 H Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) as described under “The Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong.

The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in “Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.87 per Offer Share and is expected to be not less than HK\$1.31 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.87 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,777.69 for one board lot of 2,000 H Shares. If the Offer Price as finally determined in the manner described below is less than HK\$1.87 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Monday, 15 May 2017.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Monday, 15 May 2017 and in any event, no later than Thursday, 18 May 2017.

If, for any reason, the Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on Thursday, 18 May 2017, the Share Offer will not proceed and will lapse.

Reduction in indicative Offer Price range

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, based on the book-building process and with the prior consent of the Company, reduce the indicative Offer Price range below that disclosed in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Stock Exchange and the Company a notice of reduction of the Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner (for itself and on behalf of the Underwriters).

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Allocation of the Public Offer Shares pursuant to the Placing will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell H Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Monday, 22 May 2017 on the Stock Exchange's website and on the Company's website.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms will be made available through a variety of channels as described in "How to Apply for Public Offer Shares — 11. Publication of results".

CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Share Offer (including the H Shares which may be made available pursuant to the Offer Size Adjustment Option);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions have not been fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange's website on www.hkexnews.hk and on the Company's website at www.fyleasing.com on the next Business Day following such lapse.

H Share certificates for the Offer Shares are expected to be issued on Monday, 22 May 2017 but will only become valid certificates of title at 8: 00 a.m. on Tuesday, 23 May 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 8,984,000 Public Offer Shares at the Offer Price, representing 10% of the 89,840,000 H Shares initially available under the Share Offer, for subscription by the public in Hong Kong, subject to reallocation as mentioned below and the Offer Size Adjustment Option. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in "Conditions of the Public Offer" in this section.

Allocation

The Public Offer is open for subscription to all members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. When there is over-subscription, allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Public Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Public Offer Shares initially available under the Public Offer, the total number of Public Offer Shares available under the Public Offer will be increased to 26,952,000 H Shares, 35,936,000 H Shares and 44,920,000 H Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Public Offer Shares initially available under the Share Offer. In such cases, the number of Placing Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) deems appropriate.

If the Public Offer Shares are not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate. If the Placing is not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) may reallocate all or any unsubscribed Placing Shares to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters).

Applications

The Sole Bookrunner (for itself on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 80,856,000 H Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of the Company's enlarged issue share capital immediately after the completion of the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Placing Shares with institutional, professional and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the "book- building" process described in "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares after Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and the Shareholders as a whole.

The total number of the Placing Shares to be allotted and issued may change as a result of the reallocation mentioned under "The Public Offer — Reallocation".

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreements, our Company has granted to the Sole Bookrunner (for itself and on behalf of the Underwriters) the Offer Size Adjustment Option, which is exercisable by the Sole Bookrunner (for itself and on behalf of the Underwriters) in its absolute discretion on or before the business day immediately before the date of allotment results announcement, in writing, to require our Company to allot and issue up to 13,476,000 additional H Shares at the Offer Price, representing 15% of the total number of H Shares initially available for subscription under the Share Offer. Any such additional H Shares may be issued to cover any excess demand in the Share Offer at the absolute discretion of the Sole Bookrunner (for itself and on behalf of the Underwriters).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner to meet any excess demand in the Share Offer. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the H Shares in the secondary market will be effected to cover any excess demand in the Share Offer which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.fyleasing.com.

In the event that the Offer Size Adjustment Option is exercised in full, 13,476,000 additional H Shares will be issued resulting in a total number of 103,316,000 H Shares in issue representing approximately 27.7% of our Company's total number of Shares in issue as enlarged immediately following completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in "Future Plans and Use of Proceeds", on a pro rata basis.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 23 May 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 23 May 2017. The H Shares will be traded in board lots of 2,000 H Shares. The stock code for the H Shares is 8452.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the H Shares to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the H Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the H Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

To apply for the Public Offer Shares, you may not apply for or indicate an interest for the Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for the Public Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by a person under a power of attorney, the Company and the Sole Bookrunner may accept or reject it at their discretion and on any conditions they think fit, including the provision of evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Public Offer;
- an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For the Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply only to the **HK eIPO White Form** Service Provider at www.hkeipo.hk.

For the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9: 00 a.m. on Wednesday, 10 May 2017 until 12: 00 noon on Monday, 15 May 2017 from:

- (i) the following address of the Public Offer Underwriters:

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

KGI Capital Asia Limited

41/F Central Plaza
18 Harbour Road
Wanchai, Hong Kong

SPDB International Capital Limited

Suites 3207-3212
One Pacific Place
88 Queensway
Hong Kong

Huabang Securities Limited

Room 2005
20/F Enterprise Square Two
3 Sheung Yuet Road, Kowloon Bay
Kowloon, Hong Kong

(ii) the following branches of the receiving bank, **The Bank of East Asia, Limited:**

District	Branch Name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road, North Point
Kowloon	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
New Territories	Tai Wai Branch	Cheung Fung Mansion, 16-18 Tai Wai Road, Shatin
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9: 00 a.m. on Wednesday, 10 May 2017 until 12: 00 noon on Monday, 15 May 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — FY Financial Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 10 May 2017 — 9:00 a.m. to 5:00 p.m.

Thursday, 11 May 2017 — 9:00 a.m. to 5:00 p.m.

Friday, 12 May 2017 — 9:00 a.m. to 5:00 p.m.

Saturday, 13 May 2017 — 9:00 a.m. to 1:00 p.m.

Monday, 15 May 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 15 May 2017, the last application day or such later time described "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By completing and submitting a **WHITE** or **YELLOW** Application Form or applying to the **HK eIPO White Form** Service Provider, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Bookrunner (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of the Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to the Company, the Hong Kong H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for Public Offer Shares are outside the United States (as defined in Regulation S under the US Securities Act) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect H Share certificate(s) and/or refund cheque(s) in person;

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- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are apply;
- (xvii) understand that the Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the YELLOW Application Form for further information.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply” in this section may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allocated and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form Service** Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9: 00 a.m. on Wednesday, 10 May 2017 until 11: 30 a.m. on Monday, 15 May 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12: 00 noon on Monday, 15 May 2017, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below.

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No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F., One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

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If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong H Share Registrar.

Giving Electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Public Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - (iii) undertake and confirm that you have not applied for or taken up will not apply for or take up, or indicate an interest for, any offer shares under the Placing;
 - (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - (vi) confirm that you understand that our Company, the Directors, the Sole Sponsor, the Sole Bookrunner and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to allocate any of the Public Offer Shares to you and that you may be prosecuted for if you make a false declaration;
 - (vii) authorise our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Public Offer Shares allocated to you and such other registers as required under the Articles, and dispatch H Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

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- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (x) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (xi) agree to disclose to our Company, the Hong Kong H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their or the Company's respective directors, officers or representatives or any other person involved in the Public Offer any personal data which they may require about you;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer;

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- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Offer Shares;
- (xvi) agree with our Company, for ourself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourself and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC, the Company Law and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (xvii) agree with our Company, for ourself and for the benefit of each Shareholder and each Director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by our acceptance in whole or in part of this application to have agreed, for ourself and on behalf of each Shareholder and each Director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instruction**):
 - (a) to refer all differences and claims arising from the Articles or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- (xviii) agree with our Company (for ourself and for the benefit of each Shareholder that H shares in our Company are freely transferable by their holders);
- (xix) authorise our Company to enter into a contract on our behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles; and
- (xx) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

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- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Offer Shares. Instructions for more than 2,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 10 May 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 11 May 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 12 May 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 13 May 2017 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 15 May 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 10 May 2017 until 12:00 noon on Monday, 15 May 2017 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 15 May 2017, the last day for applications, or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be

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automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance)

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make your electronic application. Our Company, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their or the Company’s respective directors, officers or representatives or any other person involved in the Public Offer and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. If CCASS Investor Participants have problems in the connection to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 15 May 2017, the last day for applications, or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below.

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8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$1.87 per Public Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Public Offer Shares, you will pay HK\$3,777.69.

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

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You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each application in respect of more than 2,000 Public Offer Shares must be in one of the numbers set forth in the table in the Application Form or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the participants of the Stock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Further information on the Offer Price is set forth in “Structure and conditions of the Share Offer — Pricing and allocations”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9: 00 a.m. and 12: 00 noon on Monday, 15 May 2017. Instead they will open between 11: 45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9: 00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 15 May 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Monday, 22 May 2017 on the Company’s website at www.fyleasing.com and the Stock Exchange’s website www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

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- in the announcement to be posted on the Company’s website at www.fyleasing.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8: 00 a.m. on Monday, 22 May 2017;
- from the designated results of allocations website www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8: 00 a.m. on Monday, 22 May 2017 to 12:00 midnight on Friday, 26 May 2017;
- by telephone enquiry line by calling 3691 8488 between 9: 00 a.m. and 6:00 p.m. from Monday, 22 May 2017 to Thursday, 25 May 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 22 May 2017 to Wednesday, 24 May 2017 at designated branches of the receiving bank.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Conditions of the Public Offer are set forth in “Structure and conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

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If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Department does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Department notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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- the Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- you apply for more than 4,492,000 Public Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.87 (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and conditions of the Share Offer — Conditions of the Public Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 22 May 2017.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Monday, 22 May 2017. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Tuesday, 23 May 2017 provided that the Public Offer has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque and/or H Share certificate from the Hong Kong H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 22 May 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong H Share Registrar.

If you do not collect your refund cheque and/or H Share certificate personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque and/or H Share certificate will be sent to the address on the relevant Application Form on or before Monday, 22 May 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque will be sent to the address on the relevant Application Form on or before Monday, 22 May 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Monday, 22 May 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 22 May 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through HK eIPO White Form service:

- If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from the Hong Kong H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 22 May 2017, or any other place or date notified by our Company in the newspapers as the place or date of dispatch/ collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.
- If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Public Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 22 May 2017 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) **If you apply by giving electronic application instructions to HKSCC via CCASS:**

Allocation of Offer Shares

- For the purposes of allocating Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 22 May 2017 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/ passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Offer Shares in the manner as described in "11. Publication of Results" in this section on Monday, 22 May 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5: 00 p.m. on Monday, 22 May 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 22 May 2017. Immediately following the credit of the Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Public Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 22 May 2017.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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10 May 2017

The Directors
FY Financial (Shenzhen) Co., Ltd.

Dongxing Securities (Hong Kong) Co., Ltd.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding FY Financial (Shenzhen) Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2014, 2015 and 2016 (the “Relevant Periods”) and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2014, 2015 and 2016, and a summary of significant accounting policies and other explanatory notes, for inclusion in the prospectus of the Company dated 10 May 2017 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established in The People’s Republic of China (the “PRC”) on 7 December 2012 and was granted a certificate of approval for the establishment as a sino-foreign equity joint venture enterprise. The Group is principally engaged in financial leasing, and provision of factoring and advisory services. As of the date of this report, the particulars of the Company’s subsidiaries are as follows:

Name of subsidiaries	Place and date of establishment and type of legal entity	Place of operation	Issued and paid-up capital	Equity interest attributable to the Group as at				Principal activities
				31 December			Date of this report	
				2014	2015	2016		
杉杉富銀商業保理有限公司 Shan Shan Fullin Factoring Co., Ltd. (“Fullin Factoring”)	The PRC/Limited liability company/9 May 2013	The PRC	Renminbi (“RMB”) 50,000,000	51%	100%	100%	100%	Provision of factoring
北京杉杉醫療科技發展有限公司 Beijing Shan Shan Medical Technology Development Co., Ltd. (“Beijing Medical”)	The PRC/ Limited liability Company/ 16 February 2011	The PRC	RMB 33,710,000	100%	100%	100%	100%	Inactive

All of the above subsidiaries and the Company now comprising the Group have adopted 31 December as their financial year end date.

The financial statements of the Company prepared in accordance with the relevant accounting principles and financial regulations in the PRC. For the years ended 31 December 2014 were audited by 深圳中聯嶽華會計事務所, and for each of the years ended 31 December 2015 and 2016 were audited by 立信會計師事務所 (BDO CHINA SHU LUN PAN Certified Public Accountants LLP) (“BDO CHINA”) and, both firms are the certified public accountants registered in the PRC .

The financial statements of Fullin Factoring for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by BDO CHINA.

The financial statements of Beijing Medical for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by BDO CHINA.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation set out in note 2 to the Section II below and the accounting policies set out in note 4 to the Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the Prospectus including the preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 4 to the Financial Information and the applicable requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

OPINION ON FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, on the basis of preparation set out in note 2 to the Financial Information below, gives a true and fair view of the financial position of the Group and the Company as at 31 December 2014, 2015 and 2016 and of the financial performance and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2014	2015	2016
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Revenue	7	51,904,476	69,610,940	76,047,487
Direct costs		(22,261,518)	(23,548,763)	(10,451,224)
Gross profit		29,642,958	46,062,177	65,596,263
Other income and gains	7	3,131,189	2,588,922	2,277,136
Operating expenses		(7,627,877)	(7,012,459)	(7,903,396)
Administrative expenses		(15,149,536)	(17,580,289)	(18,721,255)
Impairment loss on accounts receivable, net		(3,444,668)	(14,284,775)	(7,990,994)
Listing expenses		—	—	(8,691,306)
Profit before income tax	8	6,552,066	9,773,576	24,566,448
Income tax expense	9	(1,767,380)	(2,707,318)	(8,397,240)
Profit and total comprehensive income for the year		<u>4,784,686</u>	<u>7,066,258</u>	<u>16,169,208</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		4,897,479	6,400,438	16,169,208
Non-controlling interests		(112,793)	665,820	—
		<u>4,784,686</u>	<u>7,066,258</u>	<u>16,169,208</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2014	2015	2016
		RMB	RMB	RMB
ASSETS AND LIABILITIES				
Non-current assets				
Plant and equipment	13	1,366,519	1,083,010	821,559
Other receivables	15	—	1,500,000	—
Accounts receivable	16	268,917,943	298,894,207	476,402,577
Deferred tax assets	17	894,434	4,225,807	4,150,647
		<u>271,178,896</u>	<u>305,703,024</u>	<u>481,374,783</u>
Current assets				
Accounts receivable	16	298,269,048	482,694,236	432,711,434
Prepayments, deposits and other receivables	18	39,287,438	45,684,984	32,290,337
Available-for-sale financial assets	19	8,100,000	—	—
Amount due from a fellow subsidiary	20	31,500,000	—	—
Amount due from a shareholder	20	5,000,000	—	—
Amount due from an intermediate holding company	20	50,000,000	45,000,000	—
Pledged bank deposits		—	785,250	—
Cash and cash equivalents	23	5,093,935	18,833,113	40,918,934
		<u>437,250,421</u>	<u>592,997,583</u>	<u>505,920,705</u>
Current liabilities				
Other payables and accruals	24	13,062,934	58,813,821	54,358,525
Receipts in advance	25	305,164	958,400	360,061
Amounts due to shareholders	21	—	9,324,627	—
Amount due to a fellow subsidiary	21	32,127,965	—	—
Amount due to an intermediate holding company	22	25,089,521	322,377,868	—
Tax payables		1,697,301	4,390,683	1,749,669
Interest-bearing bank and other borrowings	26	314,000,000	101,257,334	500,916,459
		<u>386,282,885</u>	<u>497,122,733</u>	<u>557,384,714</u>
Net current assets/(liabilities)		<u>50,967,536</u>	<u>95,874,850</u>	<u>(51,464,009)</u>
Total assets less current liabilities		<u>322,146,432</u>	<u>401,577,874</u>	<u>429,910,774</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	<i>Notes</i>	As at 31 December		
		2014	2015	2016
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Non-current liabilities				
Receipts in advance	25	42,013	77,303	70,454
Deposits from finance lease customers and suppliers	27	<u>96,299,298</u>	<u>108,385,041</u>	<u>120,555,582</u>
		<u>96,341,311</u>	<u>108,462,344</u>	<u>120,626,036</u>
Net assets		<u>225,805,121</u>	<u>293,115,530</u>	<u>309,284,738</u>
EQUITY				
Equity attributable to owners of the Company				
Paid-up capital/share capital	28	200,000,000	269,500,000	269,500,000
Reserves	29	<u>1,968,834</u>	<u>23,615,530</u>	<u>39,784,738</u>
		201,968,834	293,115,530	309,284,738
Non-controlling interests		<u>23,836,287</u>	—	—
Total equity		<u>225,805,121</u>	<u>293,115,530</u>	<u>309,284,738</u>

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2014	2015	2016
		RMB	RMB	RMB
ASSETS AND LIABILITIES				
Non-current assets				
Plant and equipment	13	656,514	564,191	445,362
Interests in subsidiaries	14	57,388,956	90,303,825	90,047,260
Accounts receivable	16	268,917,943	298,894,207	476,402,577
Deferred tax assets	17	647,883	3,488,600	3,761,279
		<u>327,611,296</u>	<u>393,250,823</u>	<u>570,656,478</u>
Current assets				
Accounts receivable	16	244,352,603	354,847,666	386,654,495
Prepayments, deposits and other receivables	18	38,782,428	45,453,129	29,700,177
Amount due from a shareholder	20	5,000,000	—	—
Amount due from a subsidiary	14	—	42,000,000	—
Amount due from an intermediate holding company	20	50,000,000	45,000,000	—
Pledged bank deposits		—	785,250	—
Cash and cash equivalents	23	4,015,247	15,132,714	39,978,189
		<u>342,150,278</u>	<u>503,218,759</u>	<u>456,332,861</u>
Current liabilities				
Other payables and accruals	24	11,769,430	56,793,341	52,510,610
Receipts in advance	25	114,479	113,309	30,598
Amounts due to shareholders	21	—	9,324,627	—
Amounts due to subsidiaries	14	—	31,500,000	35,500,000
Amount due to a fellow subsidiary	21	32,127,965	—	—
Amount due to an intermediate holding company	22	25,051,350	292,357,463	—
Tax payables		1,697,301	3,919,189	1,599,199
Interest-bearing bank and other borrowings	26	300,000,000	91,057,454	500,916,459
		<u>370,760,525</u>	<u>485,065,383</u>	<u>590,556,866</u>
Net current (liabilities)/assets		<u>(28,610,247)</u>	<u>18,153,376</u>	<u>(134,224,005)</u>
Total assets less current liabilities		<u>299,001,049</u>	<u>411,404,199</u>	<u>436,432,473</u>

APPENDIX I**ACCOUNTANTS' REPORT**

		As at 31 December		
	<i>Notes</i>	2014	2015	2016
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Non-current liabilities				
Receipts in advance	25	42,013	77,303	46,704
Deposits from finance lease customers and suppliers	27	<u>96,299,298</u>	<u>108,385,041</u>	<u>120,555,582</u>
		<u>96,341,311</u>	<u>108,462,344</u>	<u>120,602,286</u>
Net assets		<u>202,659,738</u>	<u>302,941,855</u>	<u>315,830,187</u>
EQUITY				
Paid-up capital/share capital	28	200,000,000	269,500,000	269,500,000
Reserves	29	<u>2,659,738</u>	<u>33,441,855</u>	<u>46,330,187</u>
Total equity		<u>202,659,738</u>	<u>302,941,855</u>	<u>315,830,187</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Paid-up capital/ share capital	Merger reserve*	Capital reserve*	Statutory reserve*	(Accumulated losses)/ retained profits*	Sub-total	Non-controlling interests	Total equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	(note 29(a))	(note 29(b))	(note 29(c))					
At 1 January 2014								
Profit and total comprehensive income for the year	100,000,000	33,710,000	—	—	(4,510,680)	129,199,320	23,949,080	153,148,400
Appropriation to statutory reserve	—	—	—	—	4,897,479	4,897,479	(112,793)	4,784,686
	—	—	—	365,357	(365,357)	—	—	—
Transaction with owners:								
Capital contribution from shareholders (note 28(a))	100,000,000	—	—	—	—	100,000,000	—	100,000,000
Deemed distribution (note 33)	—	(32,127,965)	—	—	—	(32,127,965)	—	(32,127,965)
	100,000,000	(32,127,965)	—	—	—	67,872,035	—	67,872,035
At 31 December 2014 and 1 January 2015								
Profit and total comprehensive income for the year	200,000,000	1,582,035	—	365,357	21,442	201,968,834	23,836,287	225,805,121
Appropriation to statutory reserve	—	—	—	—	6,400,438	6,400,438	665,820	7,066,258
	—	—	—	602,652	(602,652)	—	—	—
Transactions with owners:								
Transfer to capital reserve (note 28(b))	—	—	2,848,166	(365,357)	(2,482,809)	—	—	—
Issue of shares (note 28(c))	69,500,000	—	23,819,151	—	—	93,319,151	—	93,319,151
Acquisition of non-controlling interests (note 32)	—	—	—	—	(8,572,893)	(8,572,893)	(24,502,107)	(33,075,000)
	69,500,000	—	26,667,317	(365,357)	(11,055,702)	84,746,258	(24,502,107)	60,244,151
At 31 December 2015								
	269,500,000	1,582,035	26,667,317	602,652	(5,236,474)	293,115,530	—	293,115,530

* The aggregate balances of these reserves amounting of RMB1,968,834, RMB23,615,530 and RMB39,784,738 are included as reserves as at 31 December 2014, 2015 and 2016 respectively in the consolidated statements of financial position.

* The aggregate balances of these reserves amounting of RMB1,968,834, RMB23,615,530 and RMB39,784,738 are included as reserves as at 31 December 2014, 2015 and 2016 respectively in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2014	2015	2016
		RMB	RMB	RMB
Cash flows from operating activities				
Profit before income tax		6,552,066	9,773,576	24,566,448
Adjustments for :				
Bank interest income		(354,284)	(168,653)	(81,740)
Depreciation of plant and equipment		325,731	394,330	303,380
Interest income from available-for-sale financial assets		(317,610)	(201,828)	(9,643)
Interest income from short-term investments		(862,920)	(776,592)	—
Impairment loss on accounts receivable, net		3,444,668	14,284,775	7,990,994
Loss on disposal of plant and equipment		3,024	10,809	493
Operating profits before working capital changes		8,790,675	23,316,417	32,769,932
Increase in accounts receivable		(368,268,445)	(228,686,227)	(135,516,562)
(Increase)/decrease in prepayments, deposits and other receivables		(25,622,339)	(7,897,546)	14,894,647
Increase/(decrease) in other payables and accruals		9,041,069	45,750,886	(4,455,296)
Increase/(decrease) in receipts in advance		347,177	688,526	(605,188)
Increase in deposits from finance lease customers and suppliers (non-current portion)		69,075,736	12,085,743	12,170,541
Cash used in operating activities		(306,636,127)	(154,742,201)	(80,741,926)
Interest received		354,284	168,653	81,740
Income tax paid		—	(3,345,309)	(10,963,094)
Net cash used in operating activities		(306,281,843)	(157,918,857)	(91,623,280)
Cash flows from investing activities				
Acquisition of remaining interests in a subsidiary		—	(33,075,000)	—
Consideration paid to the controlling shareholder of the Company for acquisition of a subsidiary	33	—	(32,127,965)	—
(Increase)/decrease in amount due from an intermediate holding company		(19,988,562)	5,000,000	45,000,000
(Increase)/decrease in pledged bank deposits		—	(785,250)	785,250
(Advance to)/repayment from a shareholder		(5,000,000)	5,000,000	—

APPENDIX I**ACCOUNTANTS' REPORT**

	Note	Year ended 31 December		
		2014	2015	2016
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Purchase of available-for-sale financial assets		(534,412,976)	(815,800,000)	(96,900,000)
Proceeds from disposal of available-for-sale financial assets		526,312,976	823,900,000	96,900,000
Interest received from available-for-sale financial assets		317,610	201,828	9,643
Proceeds from disposal of plant and equipment		—	7,411	360
Decrease in amounts due from fellow subsidiaries		10,000,000	31,500,000	—
Interest received from short-term investments		862,920	776,592	—
Purchases of plant and equipment		(447,491)	(129,041)	(42,782)
Net cash (used in)/generated from investing activities		(22,355,523)	(15,531,425)	45,752,471
Cash flows from financing activities				
Increase/(decrease) in amount due to an intermediate holding company		24,516,188	297,288,347	(322,377,868)
Capital contribution from shareholders		100,000,000	—	—
Increase/(decrease) in amounts due to shareholders		—	9,324,627	(9,324,627)
Proceeds from issuance of shares		—	93,825,000	—
Share issue expenses		—	(505,849)	—
Proceeds from interest-bearing bank and other borrowings		315,000,000	179,624,429	500,000,000
Repayment of interest-bearing bank and other borrowings		(201,000,000)	(392,367,094)	(100,340,875)
Net cash generated from financing activities		238,516,188	187,189,460	67,956,630
Net (decrease)/increase in cash and cash equivalents		(90,121,178)	13,739,178	22,085,821
Cash and cash equivalents at beginning of year		95,215,113	5,093,935	18,833,113
Cash and cash equivalents at end of year		5,093,935	18,833,113	40,918,934
Analysis of cash and cash equivalents:				
Cash at banks and in hand		5,093,935	18,833,113	7,918,934
Highly liquid investments		—	—	33,000,000
		5,093,935	18,833,113	40,918,934

II. NOTES TO THE FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

The Company was established in the PRC on 7 December 2012 as a sino-foreign equity joint venture enterprise. Pursuant to the special resolution dated 11 August 2015, the Company converted into a joint stock limited company in the PRC and changed its name from 富銀融資租賃(深圳)有限公司 to 富銀融資租賃(深圳)股份有限公司. 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, Central Futian Road, Futian District, Shenzhen, Guangdong, the PRC.

The Group is principally engaged in financial leasing and provision of factoring and advisory services.

At the date of this report, in opinion of the directors of the Company, the Company's ultimate parent is Ningbo Qinggong Investment Co., Ltd. 寧波青剛投資有限公司, a company incorporated in the PRC.

2. BASIS OF PREPARATION AND PRESENTATION

The Financial Information has been prepared in accordance with the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

In preparing this Financial Information, the Group has adopted all the new or revised HKFRSs, and amendments which are effective for the accounting period beginning on or after 1 January 2016 throughout the Relevant Periods.

At the date of this report, HKICPA has issued certain new or amended HKFRSs that have been issued but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 3 to the Section II below.

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2016. The directors consider this basis of preparation is appropriate having regard to the following factors.

- (i) A consistent cash inflow arising from steady growth in finance leasing and factoring businesses.

- (ii) Bank loans with carrying amount of RMB196,498,959 as at 31 December 2016 that were contractually due for repayment after one year pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liabilities as at 31 December 2016 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position and the securities underlying the loans, the directors believe that that bank will not exercise its discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements and it is appropriate to prepare the Financial Information on a going concern basis.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 to the Section II below.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has adopted all applicable new/revised HKFRSs and amendments effective for the accounting periods commencing from 1 January 2016 throughout the Relevant Periods.

The following new/revised HKFRSs, potentially relevant to the Group's Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the related amendments ²
HKFRS 16	Leases ³
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

Notes:

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 (2014) - Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of HKFRS 9 will impact on amounts reported in respect of the Group's financial assets and liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's accounts receivable and other receivables, if any. The Group has appropriate risk assessment and portfolio management and system in place to capture and monitor the relevant credit information. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

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

- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS were the clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 may impact on the Group's reported financial performance, financial position and disclosure due to the application of the new revenue recognition framework. The directors of the Company are in the process of assessing the quantitative effect of these requirements, and accordingly it is not practicable to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", 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.

As set out in note 31, the Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2014, 2015 and 2016 are RMB2,391,501, RMB1,223,958 and RMB1,266,324, respectively. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

(i) *Merger accounting for common control combination*

The consolidated financial statements incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(ii) *Acquisition method of accounting for non-common control combination*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consolidation of a business combination is recognised immediately in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office equipment	5 years
Motor vehicles	8 years
Leasehold improvements	Over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(m)).

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

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

The Group as lessor

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

The Group as lessee

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

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset is acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus direct transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sales of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

For loans and receivables

An impairment loss on loans and receivables are recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals, amounts due to shareholders, amount due to a fellow subsidiary, amount due to an intermediate holding company, and interest-bearing bank and other borrowings and deposits from finance lease customers and suppliers, which are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

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

(vi) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;
- (ii) service income is recognised when the service have been rendered and the revenue can be reasonably estimated and receipts in advance is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each of the reporting dates and recognised as income when the services have been rendered and the revenue can be reasonably estimated;
- (iii) interest income, which mainly includes factoring income and bank interest income, is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and

- (iv) Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(g) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Guarantee fee expense

Guarantee fee expenses is recognised over the contract period on a time apportionment basis.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and are subject to an insignificant risks of change in value.

(j) Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of Relevant Periods. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(l) Employee benefits**(i) Retirement benefit costs**

The employees of the Group which operates in PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of employees’ salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the Relevant Periods. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(o) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

In addition to information disclosed elsewhere in this Financial Information, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year for the Relevant Periods are as follows:

(i) Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgement and estimates. The management measures and monitors the asset quality of the receivables portfolio by classifying the receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. Based on the guidelines, receivables classified in the first two categories of the five categories, i.e., Pass and Special Mention are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while receivables in the remaining three categories, i.e., Substandard, Doubtful and Loss, are regarded as non-performing assets and are measured for impairment individually since objective

evidence of impairment exists individually for such receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back of in the period in which such estimate is made.

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Financial Information:

(i) *Classification between finance leasing and operating leasing*

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expenses recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as finance lease including the following:

- (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;
- (d) At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (e) The lease assets are of a specialised nature such that only the lessee can use them without major modification being made.

(ii) *Income tax*

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION**(a) Reportable segments**

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Relevant Periods, as the Group is principally engaged in providing finance lease services (i.e. direct finance leasing and sales-leaseback), factoring and advisory services in the PRC.

During the Relevant Periods, the information reported to the executive directors of the Company, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors of the Company have determined that the Group has only one single reportable segment which is providing finance lease service (i.e. direct finance leasing and sales-leaseback), factoring and advisory service in the PRC. The executive directors of the Company allocate resources and assess performance on an aggregated basis.

(b) Geographic information

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

(c) Information about major customers

Revenue from the major customer, accounted for 10% or more of the Group's revenue, is set out below:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Customer A	<u>N/A</u>	<u>8,864,044</u>	<u>N/A</u>

The revenue from Customer A for the year ended 31 December 2014 and 2016 do not contribute over 10% of the Group in the respective years.

7. 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:

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Revenue			
Finance lease income	27,549,057	36,205,591	45,396,217
Factoring income	6,367,987	12,713,411	11,837,756
Advisory service fee income	18,358,586	21,361,277	19,138,409
Business tax and surcharge	(371,154)	(669,339)	(324,895)
	<u>51,904,476</u>	<u>69,610,940</u>	<u>76,047,487</u>
Other income and gains			
Bank interest income	354,284	168,653	81,740
Exchange gain, net	247,768	192,989	—
Interest income from available-for-sale financial assets	317,610	201,828	9,643
Interest income from short-term investments	862,920	776,592	—
Recharge of insurance premium (note (a))	1,284,980	908,944	795,877
Government grant (note (b))	—	—	906,939
Others	63,627	339,916	482,937
	<u>3,131,189</u>	<u>2,588,922</u>	<u>2,277,136</u>

Notes:

- (a) The amount mainly represented 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 subsidiary of the Company obtained and recognised a local government grant of RMB906,939 as income during the year ended 31 December 2016. The subsidiary is 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 2014 to 2015 under the terms of this government grant.

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Auditors' remuneration*	43,091	223,334	264,091
Cost of borrowing included in direct cost:	22,261,518	23,548,763	10,451,224
- Interest expenses on interest-bearing bank and other borrowings***	13,246,987	14,848,877	6,404,856
- Arrangement fee for corporate guarantee***	3,833,333	3,705,023	361,644
- Bank charges and other expenses	5,181,198	4,994,863	302,829
- Interest charge on amount due to an intermediate holding company***	—	—	3,381,895
Depreciation of plant and equipment**	325,731	394,330	303,380
Operating lease rentals in respect of land and buildings	2,110,343	1,622,514	1,400,927
Loss on disposal of plant and equipment	3,024	10,809	493
Employee benefit expenses (note 11)	11,890,558	12,671,815	15,938,328

* Auditors' remuneration was related to the fees for statutory audit services paid to the auditors of respective group companies.

** Depreciation charges are recognised in the consolidated statements of comprehensive income as administrative expenses for the Relevant Periods.

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

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Income tax			
- Current year	1,697,301	6,038,691	8,233,025
- Under-provision in prior years	—	—	89,055
Deferred tax (note 17)			
- Charged/(credited) for the year	70,079	(3,331,373)	75,160
Income tax expense	1,767,380	2,707,318	8,397,240

The Company and its subsidiaries are incorporated in the PRC 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 Relevant Periods.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Profit before income tax	<u>6,552,066</u>	<u>9,773,576</u>	<u>24,566,448</u>
Tax on profit before income tax, calculated at 25%	1,638,016	2,443,394	6,141,612
Tax effect of non-deductible expenses	69,318	237,025	2,172,827
Tax effect of non-taxable income	—	(12,500)	(12,500)
Tax effect of tax losses not recognised	60,046	39,399	64,141
Under-provision in respect of prior years	—	—	89,055
Others	<u>—</u>	<u>—</u>	<u>(57,895)</u>
Income tax expense	<u>1,767,380</u>	<u>2,707,318</u>	<u>8,397,240</u>

10. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the new issue of shares under the public offer of the Company's shares.

11. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Staff costs (including directors' emoluments (note 12(a))) comprise:			
Salaries, allowances and benefits in kind	9,160,302	9,311,571	11,395,843
Discretionary bonuses	1,092,614	1,773,997	2,129,259
Contributions to defined contribution retirement plan	1,637,642	1,586,247	2,413,226
	<u>11,890,558</u>	<u>12,671,815</u>	<u>15,938,328</u>

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

Year ended 31 December 2014

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Total
	RMB	RMB	RMB	RMB	RMB
<i>Directors</i>					
Mr. Zhuang Wei	—	—	—	—	—
Mr. Li Peng	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Weng Huiping	—	—	—	—	—
Mr. Xu Yu He	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I**ACCOUNTANTS' REPORT***Year ended 31 December 2015*

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Directors</i>					
Mr. Zhuang Wei	—	—	—	—	—
Mr. Li Peng	—	70,400	—	7,259	77,659
Mr. Qian Cheng	—	—	—	—	—
Mr. Weng Huiping	—	—	—	—	—
Mr. Xu Yu He	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>70,400</u>	<u>—</u>	<u>7,259</u>	<u>77,659</u>

Year ended 31 December 2016

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Executive directors</i>					
Mr. Li Peng (note (i))	—	426,390	—	54,414	480,804
Mr. Weng Huiping (note (ii))	—	—	—	—	—
Mr. Xu Yu He (note (iii))	—	—	—	—	—
Mr. Weng Jianxing (note (iv))	—	447,057	112,252	63,785	623,094
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<i>Non-executive directors</i>					
Mr. Zhuang Wei (note (v))	—	—	—	—	—
Ms. Hui Ying (note (vi))	—	—	—	—	—
Mr. Qian Cheng (note (v))	—	—	—	—	—
Mr. Sun Luran (note (vii))	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>—</u>	<u>873,447</u>	<u>112,252</u>	<u>118,199</u>	<u>1,103,898</u>

The independent non-executive directors were appointed with effect from 21 April 2017 and have not received any emoluments during the Relevant Periods.

Notes:

- (i) Appointed as director on 28 September 2012.
- (ii) Resigned as director on 9 June 2016.
- (iii) Resigned as director on 12 April 2016.
- (iv) Appointed as director on 9 June 2016.
- (v) Appointed as director on 28 September 2012.
- (vi) Appointed as director on 9 June 2016.
- (vii) Appointed as director on 12 April 2016.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2014, 2015 and 2016 included nil, nil and 2 directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5, 5 and 3 individuals for each of the years ended 31 December 2014, 2015 and 2016 respectively are as follows:

	Year ended 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Salaries, allowances and benefits in kind	1,244,660	1,552,900	1,751,180
Discretionary bonuses	228,114	397,750	627,390
Contribution to defined contribution retirement plan	239,982	248,306	300,422
	<u>1,712,756</u>	<u>2,198,956</u>	<u>2,678,992</u>

The emoluments of each of the above non-director highest paid individuals during the Relevant Periods were all within the band of nil to HK\$1,000,000.

- (c) During the Relevant Periods, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.
- (d) Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 December		
	2014	2015	2016
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>3</u>

13. PLANT AND EQUIPMENT — THE GROUP AND THE COMPANY

The Group

	Office equipment	Motor vehicles	Leasehold improvements	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cost				
At 1 January 2014	664,600	715,176	—	1,379,776
Additions	177,491	—	270,000	447,491
Disposals	(3,504)	—	—	(3,504)
At 31 December 2014 and 1 January 2015	838,587	715,176	270,000	1,823,763
Additions	129,041	—	—	129,041
Disposals	(24,856)	—	—	(24,856)
At 31 December 2015 and 1 January 2016	942,772	715,176	270,000	1,927,948
Additions	42,782	—	—	42,782
Disposals	(1,498)	—	—	(1,498)
At 31 December 2016	984,056	715,176	270,000	1,969,232
Accumulated depreciation				
At 1 January 2014	85,135	46,858	—	131,993
Charge for the year	149,017	86,714	90,000	325,731
Disposals	(480)	—	—	(480)
At 31 December 2014 and 1 January 2015	233,672	133,572	90,000	457,244
Charge for the year	172,616	86,714	135,000	394,330
Disposals	(6,636)	—	—	(6,636)
At 31 December 2015 and 1 January 2016	399,652	220,286	225,000	844,938
Charge for the year	171,666	86,714	45,000	303,380
Disposals	(645)	—	—	(645)
At 31 December 2016	570,673	307,000	270,000	1,147,673
Net carrying value				
At 31 December 2016	413,383	408,176	—	821,559
At 31 December 2015	543,120	494,890	45,000	1,083,010
At 31 December 2014	604,915	581,604	180,000	1,366,519

The Company

	Office equipment	Motor vehicles	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cost			
At 1 January 2014	422,107	356,000	778,107
Additions	93,875	—	93,875
Disposals	(3,504)	—	(3,504)
At 31 December 2014 and 1 January 2015	512,478	356,000	868,478
Additions	54,863	—	54,863
Disposals	(3,402)	—	(3,402)
At 31 December 2015 and 1 January 2016	563,939	356,000	919,939
Additions	34,597	—	34,597
At 31 December 2016	598,536	356,000	954,536
Accumulated depreciation			
At 1 January 2014	41,161	35,971	77,132
Charge for the year	92,147	43,165	135,312
Disposals	(480)	—	(480)
At 31 December 2014 and 1 January 2015	132,828	79,136	211,964
Charge for the year	102,159	43,165	145,324
Disposals	(1,540)	—	(1,540)
At 31 December 2015 and 1 January 2016	233,447	122,301	355,748
Charge for the year	110,261	43,165	153,426
At 31 December 2016	343,708	165,466	509,174
Net carrying value			
At 31 December 2016	254,828	190,534	445,362
At 31 December 2015	330,492	233,699	564,191
At 31 December 2014	379,650	276,864	656,514

14. INTERESTS IN SUBSIDIARIES — THE COMPANY

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Unlisted shares, at cost	57,627,965	90,702,964	90,702,964
Less: provision for impairment	(239,009)	(399,139)	(655,704)
	<u>57,388,956</u>	<u>90,303,825</u>	<u>90,047,260</u>
Amount due from a subsidiary (note (a))	<u>—</u>	<u>42,000,000</u>	<u>—</u>
Amounts due to subsidiaries	<u>—</u>	<u>(31,500,000)</u>	<u>(35,500,000)</u>

Note:

- (a) The balance is unsecured, interest-free and repayable on demand. The directors of the Company considered the fair value of amount due from a subsidiary is not materially different from its carrying amount because this amount has short maturity periods on its inception.

15. OTHER RECEIVABLE (NON-CURRENT) — THE GROUP

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Other receivable	<u>—</u>	<u>1,500,000</u>	<u>—</u>

On 23 March 2015, the Group entered into a strategic cooperation agreement with an independent third party, in which the individual third party transferred the 5% equity interest of an unlisted equity securities to the Group at a consideration of RMB1,500,000. Meanwhile, a guarantee deposit amounted to RMB1,500,000 was received from the independent third party in respect of the future redemption of these equity securities. Under the strategic cooperation agreement, the investee will introduce customers to Fullin Factoring for business development.

It is entitled only to an annual return of RMB50,000 but not to share the profit or loss of the unlisted equity securities based on its 5% equity interests. As it is non-derivative with fixed payments, it is classified as loan and receivable.

As at 31 December 2016, the Group intended to dispose of them in the near future, therefore re-classified them from non-current assets to current assets.

16. ACCOUNTS RECEIVABLE — THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Finance lease receivables	580,087,106	738,197,601	974,740,986
Less: unearned finance income	<u>(64,237,312)</u>	<u>(70,269,748)</u>	<u>(100,638,800)</u>
Present value of minimum lease payment (note (a))	515,849,794	667,927,853	874,102,186
Factoring receivables (note (b))	54,187,231	130,795,399	51,614,411
Less: Provision for finance lease receivables (note (a))	(2,579,248)	(14,185,980)	(15,045,114)
Provision for factoring receivables (note (b))	<u>(270,786)</u>	<u>(2,948,829)</u>	<u>(1,557,472)</u>
	<u>567,186,991</u>	<u>781,588,443</u>	<u>909,114,011</u>

Analysis for reporting purpose as:

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Current assets	298,269,048	482,694,236	432,711,434
Non-current assets	<u>268,917,943</u>	<u>298,894,207</u>	<u>476,402,577</u>
	<u>567,186,991</u>	<u>781,588,443</u>	<u>909,114,011</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Finance lease receivables	580,087,106	738,197,601	974,740,986
Less: unearned finance income	<u>(64,237,312)</u>	<u>(70,269,748)</u>	<u>(100,638,800)</u>
Present value of minimum lease payment (note (a))	515,849,794	667,927,853	874,102,186
Factoring receivables (note (b))	—	—	4,000,000
Less: Provision for finance lease receivables (note (a))	<u>(2,579,248)</u>	<u>(14,185,980)</u>	<u>(15,045,114)</u>
	<u>513,270,546</u>	<u>653,741,873</u>	<u>863,057,072</u>

Analysis for reporting purpose as:

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Current assets	244,352,603	354,847,666	386,654,495
Non-current assets	<u>268,917,943</u>	<u>298,894,207</u>	<u>476,402,577</u>
	<u>513,270,546</u>	<u>653,741,873</u>	<u>863,057,072</u>

APPENDIX I**ACCOUNTANTS' REPORT**

As at 31 December 2014, 2015 and 2016, included in accounts receivable amounted to RMB1,656,093, RMB13,193,610 and RMB5,558,851 respectively were trade balances due from related companies with details as follows:

The Group

Name of related parties	Notes	Amount outstanding		
		At	At	Maximum
		1 January	31 December	amount
		RMB	RMB	outstanding
				during the year
				RMB
2014				
湖南杉杉戶田新材料有限公司*	30(a)			
Accounts receivable		29,432,688	—	29,432,688
Less: Collective impairment allowance		(147,163)	—	
		<u>29,285,525</u>	<u>—</u>	
寧波杉杉摩頓服裝有限公司*	30(a)			
Accounts receivable		—	1,664,415	1,664,415
Less: Collective impairment allowance		—	(8,322)	
		<u>—</u>	<u>1,656,093</u>	
2015				
寧波杉杉摩頓服裝有限公司*	30(a)			
Accounts receivable		1,664,415	—	1,664,415
Less: Collective impairment allowance		(8,322)	—	
		<u>1,656,093</u>	<u>—</u>	
Beijing City Longding Huayuan Property Development Co., Ltd. 北京市龍鼎華源房地產開發有限責任公司 ("Longding Huayuan")#	30(a)			
Accounts receivable		—	13,259,910	13,259,910
Less: Collective impairment allowance		—	(66,300)	
		<u>—</u>	<u>13,193,610</u>	

APPENDIX I

ACCOUNTANTS' REPORT

		Amount outstanding		
		At	At	Maximum
	Note	1 January	31 December	amount
				outstanding
		RMB	RMB	during the year
				RMB
2016				
Longding Huayuan#	30(a)			
Accounts receivable		13,259,910	5,598,037	13,259,910
Less: Collective impairment allowance		<u>(66,300)</u>	<u>(39,186)</u>	
		13,193,610	5,558,851	

The Company

		Amount outstanding		
Name of related parties	Note	At	At	Maximum
		1 January	31 December	amount
				outstanding
		RMB	RMB	during the year
				RMB
2015				
Longding Huayuan#	30(a)			
Accounts receivable		—	2,259,910	2,259,910
Less: Collective impairment allowance		—	(11,300)	
		—	2,248,610	

	Note	Amount outstanding		
		At	At	Maximum
		1 January	31 December	amount
				outstanding
		RMB	RMB	during the year
				RMB
2016				
Longding Huayuan#	30(a)			
Accounts receivable		2,259,910	5,598,037	5,598,037
Less: Collective impairment allowance		<u>(11,300)</u>	<u>(39,186)</u>	
		<u>2,248,610</u>	<u>5,558,851</u>	

* 湖南杉杉戶田新材料有限公司 and 寧波杉杉摩頓服裝有限公司 are the fellow subsidiaries of the Company.

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

Notes:

(a) The effective interest rates of the above finance lease ranged mainly from 0.69% to 12.49%, from 0.69% to 13.04% and from 0.69% to 17.55% per annum as at 31 December 2014, 2015 and 2016 respectively.

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 end of the Relevant Periods, is as follows:

The Group and the Company

Finance lease receivables:

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Within one year	290,579,866	406,111,269	449,593,306
More than one year but not more than five years	<u>289,507,240</u>	<u>332,086,332</u>	<u>525,147,680</u>
	<u>580,087,106</u>	<u>738,197,601</u>	<u>974,740,986</u>

Present value of minimum lease payments:

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Within one year	245,516,401	362,731,353	396,473,136
More than one year but not more than five years	<u>270,333,393</u>	<u>305,196,500</u>	<u>477,629,050</u>
	<u>515,849,794</u>	<u>667,927,853</u>	<u>874,102,186</u>

The credit quality analysis of finance lease receivables as at the end of the Relevant Periods, is as follows:

The Group and the Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Neither past due nor impaired	512,273,299	631,063,864	831,717,350
Past due but not individually impaired	3,576,495	5,070,400	1,607,872
Past due and individually impaired	<u>—</u>	<u>31,793,589</u>	<u>40,776,964</u>
	515,849,794	667,927,853	874,102,186
Less: Collective impairment allowance	(2,579,248)	(3,061,527)	(5,794,960)
Individual impairment allowance	<u>—</u>	<u>(11,124,453)</u>	<u>(9,250,154)</u>
	<u>513,270,546</u>	<u>653,741,873</u>	<u>859,057,072</u>

As at 31 December 2014, 2015 and 2016, amounted to RMB41,412,458, RMB23,902,928 and RMB4,346,747 respectively were past due but not individually impaired, in the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivable are deemed as past due.

Finance lease receivables are mainly secured by lease assets, customers' and suppliers' deposits and lease assets repurchase arrangement where applicable. Additional 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 the Relevant Periods.

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

The Group and the Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Less than one month	1,681,467	1,360,980	307,686
More than one month but less than three months	1,895,028	2,185,020	424,186
More than three months but less than one year	—	1,524,400	876,000
More than one year but less than two years	—	—	—
	<u>3,576,495</u>	<u>5,070,400</u>	<u>1,607,872</u>

Management reviews and assess for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 December 2014, 2015 and 2016, aggregate carrying amounts of RMB3,576,495, RMB5,070,400 and RMB1,607,872 were past due respectively but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of RMB207,062, RMB119,515 and RMB30,427 were provided on past due but not individually impaired finance lease receivables as at 31 December 2014, 2015 and 2016 respectively.

Included in the individual impairment allowance are individually impaired finance lease receivables with aggregate balances of RMBnil, RMB11,124,453 and RMB9,250,154 as at 31 December 2014, 2015 and 2016 respectively of which the customers are in financial difficulties.

At each reporting date of the Relevant Periods, the Group's finance lease receivables were individually determined to be impaired. Movements in provision for impairment of finance lease receivables for the Relevant Periods are as follows:

The Group and the Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
At the beginning of the year	869,575	2,579,248	14,185,980
Impairment loss recognised for the year	1,709,673	11,606,732	8,382,351
Write off	—	—	(7,523,217)
At the end of the year	<u>2,579,248</u>	<u>14,185,980</u>	<u>15,045,114</u>

As part of its normal business, the Group entered into certain finance lease receivable factoring arrangements (the “Arrangements”) 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 ended 31 December 2015 and 2016 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 1 day. Since the Group has retained substantial risks and rewards relating to the accounts receivable including default risks, the accounts receivable are regarded as transferred financial assets that should not be derecognised.

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

The Group and the Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Carrying amount of assets (note 26(c) and (b))	—	11,773,750	221,542,693
Carrying amount of associated liabilities	—	1,873,371	196,498,959
For those liabilities that have recourse only to the transferred assets:			
Fair value of assets	—	11,773,750	221,542,693
Fair value of associated liabilities	—	(1,873,371)	(196,498,959)
Net position	—	9,900,379	25,043,734

The ownership of the remaining finance lease receivables from the Arrangement occurred during the year ended 31 December 2015 were transferred back to the Company on 14 March 2016 due to the repayment of the associated borrowings during the year ended 31 December 2016.

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

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Less than one month	13,960,000	17,210,900	1,333,300
More than one month but less than three months	5,835,093	23,005,220	23,215,449
More than three months but less than one year	34,121,352	87,630,450	20,095,270
More than one year but less than two years	—	—	5,412,920
	53,916,445	127,846,570	50,056,939

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Less than one month	—	—	—
More than one month but less than three months	—	—	4,000,000
More than three months but less than one year	—	—	—
More than one year but less than two years	—	—	—
	<u>—</u>	<u>—</u>	<u>4,000,000</u>

The effective interest rates of the above factoring ranged mainly from 7% to 15% per annum throughout the Relevant Period.

As at 31 December 2014 and 2015 and 2016, the Group hold collateral with a carrying amount of RMB123,810,606, RMB508,802,242 and RMB131,695,417 respectively over these balances.

The following is an ageing analysis based on due dates of factoring receivables which are past due but not individually impaired, as at the end of the Relevant Periods, is as follows:

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Neither past due nor impaired	53,916,445	113,329,231	44,644,019
Less than one month past due	—	—	—
Past due more than one month but less than one year	—	14,517,339	—
Past due more than one year but less than two years	—	—	5,412,920
	<u>53,916,445</u>	<u>127,846,570</u>	<u>50,056,939</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Neither past due nor impaired	—	—	4,000,000
Less than one month past due	—	—	—
Past due more than one month but less than one year	—	—	—
Past due more than one year but less than two years	—	—	—
	<u>—</u>	<u>—</u>	<u>4,000,000</u>

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.

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

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
At the beginning of the year	147,163	270,786	2,948,829
Impairment loss/(recovery) recognised for the year	123,623	2,678,043	(391,357)
Write off	—	—	(1,000,000)
At the end of the year	<u>270,786</u>	<u>2,948,829</u>	<u>1,557,472</u>

17. DEFERRED TAX ASSETS — THE GROUP AND THE COMPANY

Details of the deferred tax assets recognised and movements are as follows:

The Group

	Allowance for impairment losses	Unused tax losses	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 1 January 2014	254,185	710,328	964,513
Credited/(charged) to profit or loss	<u>461,395</u>	<u>(531,474)</u>	<u>(70,079)</u>
At 31 December 2014 and 1 January 2015	715,580	178,854	894,434
Credited/(charged) to profit or loss	<u>3,510,227</u>	<u>(178,854)</u>	<u>3,331,373</u>
At 31 December 2015 and 1 January 2016	4,225,807	—	4,225,807
Charged to profit or loss	<u>(75,160)</u>	<u>—</u>	<u>(75,160)</u>
At 31 December 2016	<u><u>4,150,647</u></u>	<u><u>—</u></u>	<u><u>4,150,647</u></u>

The Company

	Allowance for impairment losses	Unused tax losses	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 1 January 2014	217,394	463,223	680,617
Credited/(charged) to profit or loss	<u>430,489</u>	<u>(463,223)</u>	<u>(32,734)</u>
At 31 December 2014 and 1 January 2015	647,883	—	647,883
Credited to profit or loss	<u>2,840,717</u>	<u>—</u>	<u>2,840,717</u>
At 31 December 2015 and 1 January 2016	3,488,600	—	3,488,600
Credited to profit or loss	<u>272,679</u>	<u>—</u>	<u>272,679</u>
At 31 December 2016	<u><u>3,761,279</u></u>	<u><u>—</u></u>	<u><u>3,761,279</u></u>

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Prepayments	258,282	117,671	3,256,647
Value-added tax recoverable	38,336,045	45,094,370	26,217,040
Other deposits	428,599	403,399	400,230
Other receivables (note)	264,512	69,544	2,416,420
	<u>39,287,438</u>	<u>45,684,984</u>	<u>32,290,337</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Prepayments	213,164	92,634	3,248,786
Value-added tax recoverable	38,333,780	45,089,203	26,210,930
Other deposits	221,130	221,130	232,461
Other receivables	14,354	50,162	8,000
	<u>38,782,428</u>	<u>45,453,129</u>	<u>29,700,177</u>

Note: As at 31 December 2016, the Group intend to dispose the unlisted equity securities, which classified as loan and receivable, in the near future, the amount of RMB1,500,000 was re-classified from non-current assets to current assets (note 15).

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS — THE GROUP

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
PRC government bonds	8,100,000	—	—

As at 31 December 2014, the PRC bonds carried a return rate at 4.36% per annum payable and with maturity period of 1 day. None of these assets had been past due or impaired at the end of the Relevant Periods.

20. AMOUNTS DUE FROM A SHAREHOLDER/A FELLOW SUBSIDIARY/AN INTERMEDIATE HOLDING COMPANY — THE GROUP AND THE COMPANY

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

21. AMOUNTS DUE TO SHAREHOLDERS/A FELLOW SUBSIDIARY — THE GROUP AND THE COMPANY

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

As at 31 December 2014, the amount due to a fellow subsidiary represented the consideration relating to the acquisition of Beijing Medical of RMB32,127,965 which is repayable within 12 months from 23 April 2014. This balance was fully settled during the year ended 31 December 2015.

22. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY — THE GROUP AND THE COMPANY

As at 31 December 2014 and 2015, the amount due to an intermediate holding company was unsecured, interest free and repayable on demand. During the year of 31 December 2016, the amount due to an intermediate holding company represented cash advance to the Group which was unsecured and repayable on demand and carried fixed interest rate of 4.35% per annum. As at year ended 31 December 2016, the amount due to intermediate holding company was repaid in full.

23. CASH AND CASH EQUIVALENTS — THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Cash at banks and in hand	5,093,935	18,833,113	7,918,934
Highly liquid investments	—	—	33,000,000
	<u>5,093,935</u>	<u>18,833,113</u>	<u>40,918,934</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Cash at banks and in hand	4,015,247	15,132,714	6,978,189
Highly liquid investments	—	—	33,000,000
	<u>4,015,247</u>	<u>15,132,714</u>	<u>39,978,189</u>

As at 31 December 2014, 2015 and 2016, the Group has cash and bank balances denominated in RMB amounted to approximately RMB5,093,935, RMB18,833,113 and RMB7,918,934 respectively, which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates and are deposited with creditworthy banks.

Highly liquid investments represent capital guaranteed short-term investments in a stated-owned commercial bank in the PRC made on 30 December 2016 with a fixed interest rate of 1.5% per annum. It was subsequently redeemed on 13 January 2017 by the Company.

The directors of the Company considered that the fair values of the cash and cash equivalents are not materially different from their carrying amounts because of the short maturity period on their inception.

24. OTHER PAYABLES AND ACCRUALS — THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Accruals	1,443,551	2,182,233	5,227,626
Deposits from finance lease customers (note 27)	1,910,440	45,528,177	40,660,782
Deposits from suppliers (note 27)	—	850,500	530,340
Other payables	8,472,887	5,126,632	3,935,830
Others	1,236,056	5,126,279	4,003,947
	<u>13,062,934</u>	<u>58,813,821</u>	<u>54,358,525</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Accruals	1,237,241	1,767,957	4,922,323
Deposits from finance lease customers (note 27)	1,910,440	45,528,177	40,660,782
Deposits from suppliers (note 27)	—	850,500	530,340
Other payables	7,385,693	3,520,792	2,398,901
Others	1,236,056	5,125,915	3,998,264
	<u>11,769,430</u>	<u>56,793,341</u>	<u>52,510,610</u>

As at 31 December 2014, 2015 and 2016, other payables include payables to equipment suppliers of RMB1,630,500, RMB2,626,867 and RMB1,198,900 respectively in relation to certain finance lease arrangements conducted by the Group and a guarantee deposit amounted to RMB nil, RMB1,500,000 and RMB1,500,000 respectively for the future redemption of the unlisted equity securities (note 15). Others mainly include premium received from customers for insurance arrangement on behalf of customers.

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

25. RECEIPTS IN ADVANCE — THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Current portion	305,164	958,400	360,061
Non-current portion	<u>42,013</u>	<u>77,303</u>	<u>70,454</u>
	<u>347,177</u>	<u>1,035,703</u>	<u>430,515</u>

The Company

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Current portion	114,479	113,309	30,598
Non-current portion	<u>42,013</u>	<u>77,303</u>	<u>46,704</u>
	<u>156,492</u>	<u>190,612</u>	<u>77,302</u>

Receipts in advance represent the advanced receipts on finance lease and factoring arrangements.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS —THE GROUP AND THE COMPANY

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Secured			
- Bank loans (note (a) and (b))	—	14,163,423	196,498,959
- Other borrowings (note (c))	—	1,873,371	—
Guaranteed			
- Bank loans (note (a) and (b))	14,000,000	10,199,880	—
Secured and guaranteed			
- Bank loans (note (a) and (b))	300,000,000	75,020,660	—
Unsecured			
- Entrusted loan (note (a) and (d))	—	—	304,417,500
	<u>314,000,000</u>	<u>101,257,334</u>	<u>500,916,459</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Secured			
- Bank loans (note (a) and (b))	—	14,163,423	196,498,959
- Other borrowings (note (c))	—	1,873,371	—
Secured and guaranteed			
- Bank loans (note (a) and (b))	300,000,000	75,020,660	—
Unsecured			
- Entrusted loan (note (a) and (d))	—	—	304,417,500
	<u>300,000,000</u>	<u>91,057,454</u>	<u>500,916,459</u>

As at 31 December 2014, 2015 and 2016, total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
On demand or within one year	114,000,000	101,257,334	380,691,742
More than one year, but not exceeding two years	200,000,000	—	71,265,974
More than two years, but not exceeding five years	—	—	48,958,743
After five years	—	—	—
	<u>314,000,000</u>	<u>101,257,334</u>	<u>500,916,459</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
On demand or within one year	100,000,000	91,057,454	380,691,742
More than one year, but not exceeding two years	200,000,000	—	71,265,974
More than two years, but not exceeding five years	—	—	48,958,743
After five years	—	—	—
	<u>300,000,000</u>	<u>91,057,454</u>	<u>500,916,459</u>

Notes:

- (a) The amounts due are based on the scheduled repayment dates in the loan agreements and ignore 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 and other 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 are set out in note 37(b). As at 31 December 2014, 2015 and 2016, none of the covenants relating to drawn down facilities had been breached.

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

- (i) pledged over the Group's pledged bank deposits of RMB785,250 which carry fixed interest rate of 2.475% per annum as at 31 December 2015.
- (ii) the Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB314,000,000 and RMB85,220,540 as at 31 December 2014 and 2015 respectively.
- (iii) pledged deposits provided by the Company's intermediate holding company of RMB50,000,000 and RMB45,000,000 as at 31 December 2014 and 2015 respectively.
- (iv) finance lease receivable with the carrying amount of RMB221,542,693 (note 16 (a)) as at 31 December 2016.

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

	As at 31 December		
	2014	2015	2016
Fixed rates bank loans	<u>4.50% to 5.88%</u>	<u>4.25% to 6.63%</u>	<u>4.75%</u>

- (c) Other borrowings represent the borrowings from an independent third party which the balance secured by the finance lease receivables of approximately RMB11,773,750 (note 16 (a)) as at 31 December 2015. The balance bore interest at effective interest rate at range of 7.68% to 9.00% per annum.
- (d) Entrusted loan represents the borrowing from an independent third party through a state-owned commercial bank in the PRC. The balance bore fixed interest at 5.7% per annum.
- (e) As at 31 December 2014, 2015 and 2016, the Group has obtained banking facilities of RMB500,000,000, RMB330,000,000 and RMB400,000,000 of which RMB314,000,000, RMB99,383,963 and RMB196,498,959 had been utilised by the Group. As at 31 December 2014, 2015 and 2016, the Group has unutilised banking facilities of RMB186,000,000, RMB230,616,037 and RMB203,501,041 available for draw down.

As at 31 December 2014, the Group's banking facilities of RMB500,000,000 were secured/guaranteed by the followings:

- (i) pledged deposits provided by the Company's intermediate holding company of RMB50,000,000; and
- (ii) corporate guarantee given by the Company's intermediate holding company.

As at 31 December 2015, the Group's banking facilities of RMB330,000,000 were secured/guaranteed by the followings:

- (i) pledged bank deposits of RMB785,250;
- (ii) pledged deposits provided by the Company's intermediate holding company of RMB45,000,000; and
- (iii) corporate guarantee given by its intermediate holding company.

As at 31 December 2016, the Group's banking facilities of RMB200,000,000 were secured by the finance lease receivables with the carrying amount of RMB221,542,693.

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

27. DEPOSITS FROM FINANCE LEASE CUSTOMERS AND SUPPLIERS — THE GROUP AND THE COMPANY

Deposits from customers and suppliers represent security pledged to the Group for the corresponding finance lease customers. The amount of customers' and suppliers' deposits of which the finance leases are expected to be expired after twelve months from the end of each Relevant Periods is included under non-current liabilities. The balance on customers' and suppliers' deposits of which the finance leases are expected to be expired within twelve months from the end of each Relevant Periods is included in "other payables and accruals" under current liabilities.

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
<i>Current liabilities</i>			
Deposits from finance lease customers	1,910,440	45,528,177	40,660,782
Deposits from suppliers	—	850,500	530,340
	<u>1,910,440</u>	<u>46,378,677</u>	<u>41,191,122</u>
<i>Non-current liabilities</i>			
Deposits from finance lease customers	88,735,163	90,689,024	104,283,707
Deposits from suppliers	<u>7,564,135</u>	<u>17,696,017</u>	<u>16,271,875</u>
	<u>96,299,298</u>	<u>108,385,041</u>	<u>120,555,582</u>

As at 31 December 2016, included in deposits from finance lease customers from non-current liabilities amounted to RMB752,004 was trade balances due to a related company, Longding Huayuan.

28. PAID-UP CAPITAL/SHARE CAPITAL —THE GROUP AND THE COMPANY

	Number of shares	RMB
Paid-up capital:		
At 1 January 2014	—	100,000,000
Capital contribution from shareholders (note (a))	—	<u>100,000,000</u>
At 31 December 2014 and 1 January 2015	<u>—</u>	<u>200,000,000</u>
Registered domestic and unlisted foreign share capital:		
On 10 September 2015 (note (b))	200,000,000	200,000,000
Issue of shares (note (c))	<u>69,500,000</u>	<u>69,500,000</u>
At 31 December 2015, 1 January 2016 and 31 December 2016	<u>269,500,000</u>	<u>269,500,000</u>

Notes:

- (a) The Company was established with a registered and paid-up capital of RMB100,000,000 in the PRC on 7 December 2012 for an operation period of 30 years from 7 December 2012 to 7 December 2042. On 31 March 2014, its registered and paid-up capital increased to RMB200,000,000.
- (b) On 10 September 2015, the Company was converted into a joint stock limited Company with a registered share capital of RMB200,000,000 divided into 200,000,000 domestic and unlisted foreign shares of 60,000,000 and 140,000,000 respectively with a par value of RMB1.0 each which was determined with reference to net asset value of the Company of RMB202,848,166 as at 31 March 2015 as appraised by an independent valuer with the remaining sum of RMB2,848,166 from retained profits and statutory reserve of the Company as at 31 March 2015 of approximately RMB2,482,809 and RMB365,357 have been transferred to capital reserve respectively.
- (c) On 10 October 2015, the Company allotted and issued 69,500,000 shares comprised with domestic shares and unlisted foreign shares of 60,000,000 and 9,500,000 respectively at RMB1.35 per share to its existing shareholders which increased its registered share capital from RMB200,000,000 to RMB269,500,000. Of the net proceeds of RMB93,319,151, amounts of RMB69,500,000, RMB23,819,151 (i.e. with the share issue expense of RMB505,849) were credited to share capital and capital reserve respectively.

29. RESERVES — THE GROUP AND THE COMPANY

The nature and purposes of reserves within equity are as follows:

(a) Merger reserve

The merger reserve of RMB33,710,000 was initially recognised in the consolidated statements of changes in equity for the carrying amount of share capital of Beijing Medical, a subsidiary of the Group pursuant to the business combination under common control. On 23 April 2014, Beijing Medical was acquired by the Company for a consideration of RMB32,127,965, which the same amount was debited to the merger reserve.

(b) Capital reserve

The capital reserve of the Company represents the difference of the shares issued at premium over par value, net of share issue expenses.

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

The Group

Details of the movements on the Group's reserves for the three years ended 31 December 2014, 2015 and 2016 are presented in the consolidated statements of changes in equity.

The Company

	Capital reserve	Statutory reserve	(Accumulated losses)/retained profits	Total
	RMB	RMB	RMB	RMB
At 1 January 2014	—	—	(2,357,878)	(2,357,878)
Profit and total comprehensive income for the year	—	—	5,017,616	5,017,616
Appropriation to statutory reserve	—	365,357	(365,357)	—
At 31 December 2014 and 1 January 2015	—	365,357	2,294,381	2,659,738
Profit and total comprehensive income for the year	—	—	6,962,966	6,962,966
Appropriation to statutory reserve	—	602,652	(602,652)	—
Transactions with owners:				
Transfer to capital reserve (note 28(b))	2,848,166	(365,357)	(2,482,809)	—
Issue of shares (note 28(c))	24,325,000	—	—	24,325,000
Share issue expenses (note 28(c))	(505,849)	—	—	(505,849)
	<u>26,667,317</u>	<u>(365,357)</u>	<u>(2,482,809)</u>	<u>23,819,151</u>
At 31 December 2015 and 1 January 2016	26,667,317	602,652	6,171,886	33,441,855
Profit and total comprehensive income for the year	—	—	12,888,332	12,888,332
Appropriation to statutory reserve	—	1,976,284	(1,976,284)	—
At 31 December 2016	<u>26,667,317</u>	<u>2,578,936</u>	<u>17,083,934</u>	<u>46,330,187</u>

30. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this Financial Information, the Group has the following significant related party transactions.

APPENDIX I

ACCOUNTANTS' REPORT

(a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount		
			Year ended 31 December		
			2014	2015	2016
			RMB	RMB	RMB
湖南杉杉戶田新材料有限公司	Fellow subsidiary	Factoring income	385,297	—	—
寧波杉杉摩頓服裝有限公司	Fellow subsidiary	Factoring income	84,722	108,402	—
Ningbo Shanshan Co., Ltd. (寧波杉杉股份有限公司) ("Shanshan")	Intermediate holding company	Service fee for corporate guarantee	2,963,857	—	—
		Arrangement fee for corporate guarantee (note ii)	3,833,333	3,705,023	361,644
		Consideration for acquisition of additional interest of a subsidiary (note 32)	—	12,825,000	—
		Interest expenses	—	—	3,381,895
Longding Huayuan	Common shareholder (note i)	Finance lease income	—	3,817	434,672
		Advisory service fee income	—	69,660	162,538
Dayuan Tiandi	Shareholder	Consideration for acquisition of additional interest of a subsidiary (note 32)	—	13,500,000	—
Longyou Baosheng Investment Co., Ltd. 龍游寶盛投資有限公司 ("Longyou Baosheng")	Shareholder	Consideration for acquisition of additional interest of a subsidiary (note 32)	—	6,750,000	—
Beijing Shanshan Venture Investment Co., Ltd. 北京杉杉創業投資有限公司 ("Shanshan Investment")	Fellow subsidiary	Consideration for deemed acquisition of a subsidiary (note 33)	32,127,964	—	—

Note:

- (i) Longding Huayuan is a wholly-owned subsidiary of Dayuan Tiandi, one of the shareholder of the Company.
 - (ii) Arrangement fee represents the guarantee fee for corporate guarantee provided by the intermediate holding company.
- (b) Members of key management comprise only of the directors whose emoluments are set out in note 12.

31. COMMITMENTS — THE GROUP AND THE COMPANY**(a) Operating lease commitments**

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

The Group

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within one year	1,533,123	1,129,116	1,144,946
In the second to fifth year	<u>858,378</u>	<u>94,842</u>	<u>121,378</u>
	<u>2,391,501</u>	<u>1,223,958</u>	<u>1,266,324</u>

The Company

	As at 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within one year	884,400	737,000	737,850
In the second to fifth year	<u>737,000</u>	<u>—</u>	<u>—</u>
	<u>1,621,400</u>	<u>737,000</u>	<u>737,850</u>

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

(b) Capital Commitments

The Group and the Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Commitments for the acquisition of property, plant and equipment:			
- Contracted for but not yet incurred:	<u>—</u>	<u>—</u>	<u>410,000</u>

32. NON-CONTROLLING INTERESTS — THE GROUP

Fullin Factoring, a 51% owned subsidiary of the Company, has material non-controlling interests.

Summarised financial information in relation to the non-controlling interests of Fullin Factoring, before intra-group eliminations, is presented below:

	For the year ended 31 December 2014	For the eight months ended 31 August 2015
	RMB	RMB
Revenue	<u>6,367,987</u>	<u>7,751,179</u>
(Loss)/profit for the year/period and total comprehensive income	<u>(230,191)</u>	<u>1,358,817</u>
(Loss)/profit allocated to the non-controlling interest	<u>(112,793)</u>	<u>665,820</u>
Cash flows from operating activities	(14,243,812)	(33,744,800)
Cash flows from investing activities	(8,391,867)	6,575,556
Cash flows from financing activities	<u>14,000,000</u>	<u>29,400,001</u>
Net cash (outflows)/inflows	<u>(8,635,679)</u>	<u>2,230,757</u>

	As at 31 December	As at 31 August
	2014	2015
	RMB	RMB
Current assets	63,246,557	128,859,967
Non-current assets	921,287	2,063,019
Current liabilities	(15,522,360)	(80,918,686)
Net assets	<u>48,645,484</u>	<u>50,004,300</u>
Accumulated non-controlling interests	<u>23,836,287</u>	<u>24,502,107</u>

On 5 June 2015, the acquisition agreement was entered into among Dayuan Tiandi and Longyou Baosheng, the shareholders of the Company, and Shanshan, the intermediate holding company of the Group, (collectively referred to as the “Vendors”) and the Company. Pursuant to the acquisition agreement, the Company agreed to acquire the remaining 49% equity interests in Fullin Factoring from the Vendors at a consideration of RMB33,075,000 (the “Acquisition”).

The Acquisition was completed on 7 September 2015 and resulted in an increase in equity interests of 49% in Fullin Factoring, which constitute a change in the Group’s ownership interest in a subsidiary that does not result in a change of control. The Acquisition was accounted for as an equity transaction during the year ended 31 December 2015 accordingly. Any difference between the amount by which non-controlling interests were adjusted and the fair value of the consideration paid was recognised directly in equity attributable to owners of the Company.

	RMB
Consideration paid for 49% equity interests	<u>33,075,000</u>
Net assets attributable to 49% equity interests	<u>24,502,107</u>
Increase in equity attributable to owners of the Company (included in retained profits)	<u>8,572,893</u>

33. BUSINESS COMBINATION UNDER COMMON CONTROL

On 23 April 2014, the Company acquired 100% equity interests of Beijing Medical from a fellow subsidiary, Shanshan Investment, at a cash consideration of RMB32,127,965. Immediately prior to and after the acquisition, Beijing Medical and the Company were under the control of an intermediate holding company, Shanshan, directly and/or indirectly through Hong Kong Shanshan Resources Company Limited (香港杉杉資源有限公司), a wholly-owned subsidiary of Shanshan. The acquisition was accounted for under the principles of merger accounting in accordance with Accounting Guideline

5 *Merger accounting for Common Control Combinations* issued by HKICPA. Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2014 have included the results, changes in equity and cash flows of Beijing Medical from 1 January 2014 as if the combination had occurred from the date when the intermediate holding company first obtained control.

34. CONTINGENT LIABILITIES

At each end of the Relevant Periods, the Group does not have any significant contingent liabilities.

35. 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 the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the Relevant Periods.

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 Relevant Periods were as follows:

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Total equity	<u>225,805,121</u>	<u>293,115,530</u>	<u>309,284,738</u>
Overall financing			
- Interest-bearing bank and other borrowings	314,000,000	101,257,334	500,916,459
- Amount due to an intermediate holding company	<u>25,089,521</u>	<u>322,377,868</u>	<u>—</u>
	<u>339,089,521</u>	<u>423,635,202</u>	<u>500,916,459</u>
Equity-to-overall financing ratio	<u>1:0.67</u>	<u>1:0.69</u>	<u>1:0.62</u>

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

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(e):

The Group

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Financial assets			
Available-for-sale financial assets	8,100,000	—	—
Loans and receivables:			
Accounts receivable	567,186,991	781,588,443	909,114,011
Other receivables and deposits	693,111	1,972,943	2,816,650
Amount due from a fellow subsidiary	31,500,000	—	—
Amount due from a shareholder	5,000,000	—	—
Amount due from an intermediate holding company	50,000,000	45,000,000	—
Pledged bank deposits	—	785,250	—
Cash and cash equivalents	5,093,935	18,833,113	40,918,934
	<u>667,574,037</u>	<u>848,179,749</u>	<u>952,849,595</u>
Financial liabilities			
Financial liabilities measured at amortised cost:			
Other payables and accruals	9,916,438	7,308,865	9,163,456
Deposits from finance lease customers and suppliers (non-current portion)	96,299,298	108,385,041	120,555,582
Amounts due to shareholders	—	9,324,627	—
Amount due to a fellow subsidiary	32,127,965	—	—
Amount due to an intermediate holding company	25,089,521	322,377,868	—
Interest-bearing bank and other borrowings	314,000,000	101,257,334	500,916,459
	<u>477,433,222</u>	<u>548,653,735</u>	<u>630,635,497</u>

The Company

	As at 31 December		
	2014	2015	2016
	RMB	RMB	RMB
Financial assets			
Loans and receivables:			
Accounts receivable	513,270,546	653,741,873	863,057,072
Other receivables and deposits	235,484	271,292	240,461
Amount due from a shareholder	5,000,000	—	—
Amount due from a subsidiary	—	42,000,000	—
Amount due from an intermediate holding company	50,000,000	45,000,000	—
Pledged bank deposits	—	785,250	—
Cash and cash equivalents	4,015,247	15,132,714	39,978,189
	<u>572,521,277</u>	<u>756,931,129</u>	<u>903,275,722</u>
Financial liabilities			
Financial liabilities measured at amortised cost:			
Other payables and accruals	8,622,934	5,288,749	7,321,224
Deposits from finance lease customers and suppliers (non-current portion)	96,299,298	108,385,041	120,555,582
Amounts due to shareholders	—	9,324,627	—
Amounts due to subsidiaries	—	31,500,000	35,500,000
Amount due to a fellow subsidiary	32,127,965	—	—
Amount due to an intermediate holding company	25,051,350	292,357,463	—
Interest-bearing bank and other borrowings	300,000,000	91,057,454	500,916,459
	<u>462,101,547</u>	<u>537,913,334</u>	<u>664,293,265</u>

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

As at the end of Relevant Periods, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to accounts receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's pledged bank deposits and cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Group's concentration of credit risk on the accounts receivable as at 31 December 2014, 2015 and 2016 included five major counterparties accounting for 18%, 33% and 41% of the accounts receivable respectively. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customers base as appropriate.

Lessees of the Group are from different industries as follows:

Present value of minimum lease payment

	As at 31 December					
	2014		2015		2016	
	RMB	%	RMB	%	RMB	%
Medical	34,128,079	7%	101,048,290	15%	191,436,768	22%
Transportation	32,123,469	6%	34,369,204	5%	53,927,650	6%
Electronics	147,513,370	29%	95,032,237	14%	82,918,915	9%
Fast-moving consumer goods	226,284,949	44%	200,968,499	30%	232,673,097	27%
Alternative energy	42,781,237	8%	204,757,042	31%	208,411,391	24%
Others	33,018,690	6%	31,752,581	5%	104,734,365	12%
	<u>515,849,794</u>	<u>100%</u>	<u>667,927,853</u>	<u>100%</u>	<u>874,102,186</u>	<u>100%</u>
Less: Provision for finance lease receivables	<u>(2,579,248)</u>		<u>(14,185,980)</u>		<u>(15,045,114)</u>	
	<u>513,270,546</u>		<u>653,741,873</u>		<u>859,057,072</u>	

Factoring receivable of the Group are from different industries as follows:

	2014		2015		2016	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
Manufacturing	7,292,816	14%	25,605,833	20%	38,576,295	75%
Medical	—	N/A	12,300,000	9%	9,140,000	18%
Property leasing	12,030,000	22%	61,000,000	46%	—	N/A
Wholesale and retails	14,864,415	27%	9,889,566	8%	3,898,116	7%
Education	20,000,000	37%	22,000,000	17%	—	N/A
	<u>54,187,231</u>	<u>100%</u>	<u>130,795,399</u>	<u>100%</u>	<u>51,614,411</u>	<u>100%</u>
Less: Provision for factoring receivable	<u>(270,786)</u>		<u>(2,948,829)</u>		<u>(1,557,472)</u>	
	<u><u>53,916,445</u></u>		<u><u>127,846,570</u></u>		<u><u>50,056,939</u></u>	

As the customers of the Group are widely dispersed and are engaged in different industries, and the Group has closely monitored the market trend of these industries in the PRC and the business performance of its customers to ensure the timely collection of the accounts receivable, there is no significant credit risk concentration within the Group.

(b) **Liquidity risk**

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of Relevant Periods of the Group's and the Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 1 month to 3 months	4 to 12 months	1 to 2 years	Over 2 years
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 31 December 2014							
Other payables and accruals	9,916,438	9,916,438	9,916,438	—	—	—	—
Amount due to a fellow subsidiary	32,127,965	32,127,965	32,127,965	—	—	—	—
Amount due to an intermediate holding company	25,089,521	25,089,521	25,089,521	—	—	—	—
Deposits from finance lease customers and suppliers	98,209,738	98,209,738	—	—	1,910,440	750,500	95,548,798
Interest-bearing bank and other borrowings (note)	314,000,000	314,000,000	314,000,000	—	—	—	—
Total liabilities	<u>479,343,662</u>	<u>479,343,662</u>	<u>381,133,924</u>	<u>—</u>	<u>1,910,440</u>	<u>750,500</u>	<u>95,548,798</u>
At 31 December 2015							
Other payables and accruals	7,308,865	7,308,865	7,308,865	—	—	—	—
Deposits from finance lease customers and suppliers	154,763,718	154,763,718	—	535,500	45,843,177	7,121,440	101,263,601
Amounts due to shareholders	9,324,627	9,324,627	9,324,627	—	—	—	—
Amount due to an intermediate holding company	322,377,868	322,377,868	322,377,868	—	—	—	—
Interest-bearing bank and other borrowings (note)	101,257,334	101,356,638	99,383,963	1,972,675	—	—	—
Total liabilities	<u>595,032,412</u>	<u>595,131,716</u>	<u>438,395,323</u>	<u>2,508,175</u>	<u>45,843,177</u>	<u>7,121,440</u>	<u>101,263,601</u>
At 31 December 2016							
Other payables and accruals	9,163,456	9,163,456	9,163,456	—	—	—	—
Deposits from finance lease customers and suppliers	161,746,704	161,746,704	—	7,572,481	33,618,641	48,226,092	72,329,490
Interest-bearing bank and other borrowings (note)	500,916,459	500,916,459	500,916,459	—	—	—	—
Total liabilities	<u>671,826,619</u>	<u>671,826,619</u>	<u>510,079,915</u>	<u>7,572,481</u>	<u>33,618,641</u>	<u>48,226,092</u>	<u>72,329,490</u>

The Company

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 1 month to 3 months	4 to 12 months	1 to 2 years	Over 2 years
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 31 December 2014							
Other payables and accruals	8,622,934	8,622,934	8,622,934	—	—	—	—
Deposits from finance lease customers and suppliers	98,209,738	98,209,738	—	—	1,910,440	750,500	95,548,798
Amount due to a fellow subsidiary	32,127,965	32,127,965	32,127,965	—	—	—	—
Amount due to an intermediate holding company	25,051,350	25,051,350	25,051,350	—	—	—	—
Interest-bearing bank and other borrowings (note)	300,000,000	300,000,000	300,000,000	—	—	—	—
Total liabilities	<u>464,011,987</u>	<u>464,011,987</u>	<u>365,802,249</u>	<u>—</u>	<u>1,910,440</u>	<u>750,500</u>	<u>95,548,798</u>
At 31 December 2015							
Other payables and accruals	5,288,749	5,288,749	5,288,749	—	—	—	—
Deposits from finance lease customers and suppliers	154,763,718	154,763,718	—	535,500	45,843,177	7,121,440	101,263,601
Amount due to a subsidiary	31,500,000	31,500,000	31,500,000	—	—	—	—
Amounts due to shareholders	9,324,627	9,324,627	9,324,627	—	—	—	—
Amount due to an intermediate holding company	292,357,463	292,357,463	292,357,463	—	—	—	—
Interest-bearing bank and other borrowings (note)	91,057,454	91,156,758	89,184,083	1,972,675	—	—	—
Total liabilities	<u>584,292,011</u>	<u>584,391,315</u>	<u>427,654,922</u>	<u>2,508,175</u>	<u>45,843,177</u>	<u>7,121,440</u>	<u>101,263,601</u>
At 31 December 2016							
Other payables and accruals	7,321,224	7,321,224	7,321,224	—	—	—	—
Deposits from finance lease customers and suppliers	161,746,704	161,746,704	—	7,572,481	33,618,641	48,226,092	72,329,490
Amounts due to subsidiaries	35,500,000	35,500,000	35,500,000	—	—	—	—
Interest-bearing bank and other borrowings (note)	500,916,459	500,916,459	500,916,459	—	—	—	—
Total liabilities	<u>705,484,387</u>	<u>705,484,387</u>	<u>543,737,683</u>	<u>7,572,481</u>	<u>33,618,641</u>	<u>48,226,092</u>	<u>72,329,490</u>

Note: Bank and other borrowings with a repayment on demand clause are included in the “On demand” time band in the above maturity analysis. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the lenders will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between 1 to 3 years after the end of the Relevant Periods in accordance with the scheduled repayment dates set out in the loan agreements. The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements.

The Group

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	Over 1 year
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 31 December 2016	500,916,459	526,801,405	400,755,279	126,046,126
At 31 December 2015	99,383,963	101,787,818	101,787,818	—
At 31 December 2014	<u>314,000,000</u>	<u>329,177,239</u>	<u>127,933,661</u>	<u>201,243,578</u>

The Company

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	Over 1 year
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 31 December 2016	500,916,459	526,801,405	400,755,279	126,046,126
At 31 December 2015	89,184,083	91,141,199	91,141,199	—
At 31 December 2014	<u>300,000,000</u>	<u>314,517,551</u>	<u>113,273,973</u>	<u>201,243,578</u>

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than cash and cash equivalents (note 23), accounts receivable (note 16), amount due to intermediate holding company (note 22) and interest-bearing bank and other borrowings (note 26), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate cash and cash equivalent. Cash and cash equivalent at floating rates expose the Group to cash flow interest rate risk. Interest-bearing bank and other borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2014, 2015 and 2016, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year (through the impact on the Group's cash and cash equivalents which is subject to floating interest rate) by approximately RMB19,041, RMB70,606 and RMB29,660. For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's profit for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for all Relevant Periods and are considered to be effective.

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. No foreign currency risk has been identified since all the financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and the subsidiaries in the PRC to which these transactions relate.

(e) Fair value risk

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis. The directors of the Company considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

38. SUBSEQUENT EVENTS

Except as disclosed elsewhere in this Financial Information, no significant events took place subsequent to 31 December 2016.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number: P05309

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Share Offer might have affected the consolidated net tangible assets of the Group after the completion of the Share Offer as if the Share Offer had taken place on 31 December 2016. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Share Offer been completed on 31 December 2016 or at any future dates.

The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2016 is based on the audited consolidated net tangible assets of the Group as at 31 December 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus and the adjustments described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2016 RMB (Note 1)	Estimated net proceeds from the Share Offer RMB (Notes 2,4)	Unaudited pro forma adjusted consolidated net tangible assets of the Group RMB	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB HK\$ (Notes 3,4)	
Based on Offer Price of HK\$1.31 per Offer Share	<u>309,284,738</u>	<u>90,023,404</u>	<u>399,308,142</u>	<u>1.11</u>	<u>1.24</u>
Based on Offer Price of HK\$1.87 per Offer Share	<u>309,284,738</u>	<u>135,092,970</u>	<u>444,377,708</u>	<u>1.24</u>	<u>1.38</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 December 2016 are based on audited consolidated net assets of the Group as at 31 December 2016 as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 89,840,000 new Shares to be issued at the minimum and maximum Offer Price of HK\$1.31 and HK\$1.87 per Share, respectively, after deduction of the underwriting fees and related expenses payable by the Company which has not been reflected in net tangible assets of the Group as at 31 December 2016. No account has been taken of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 359,340,000 Shares in issue immediately following the completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.
4. The pro forma adjusted consolidated net tangible assets per Share are converted from Renminbi into Hong Kong dollars at the rate of RMB0.89583=HK\$1. No representation is made that the amounts in Renminbi have been, could have been or could be converted into Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.



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香港干諾道中111號
永安中心25樓

10 May 2017

The Board of Directors
FY Financial (Shenzhen) Co., Ltd.

Dongxing Securities (Hong Kong) Co., Ltd.

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of FY Financial (Shenzhen) Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2016 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Section A of Appendix II to the prospectus of the Company dated 10 May 2017 (the "Prospectus") issued by the Company, in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the proposed offering of shares of the Company (the "Share Offer") on the Group's financial position as at 31 December 2016 as if the Share Offer had taken place on the same date. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 December 2016, on which an accountants' report set out in Appendix I to this Prospectus has been published.

Directors Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate number: P05309
Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

OVERVIEW

This section summarizes the principal provisions of the Articles of Association which were adopted at a general meeting of the Company held on 9 June 2016 and amended at a Board meeting of the Company held on 13 September 2016. A copy of the full Chinese texts of the Articles of Association is available for inspection as mentioned in “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VI to this prospectus.

(1) DIRECTORS AND SENIOR MANAGEMENT

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Directors to allot and issue shares. In order to increase the capital of the Company, the Board must formulate a proposal and submit it for approval at a shareholders’ general meeting. Subject to the approval required by the Articles of Association, such increase in the capital shall be conducted in accordance with the procedures under the relevant PRC laws and regulations.

(b) Power to dispose of the assets of the Company or any subsidiary

The Board shall be responsible for the general meeting.

The Board shall not, without the prior approval of shareholders in a general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of the amount or value of the consideration for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of the Company that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the Company’s fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

For the purposes of the above paragraph, disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of fixed asset by way of security.

The validity of a disposition by the Company of fixed assets shall not be impaired by the breach of the above paragraph.

(c) Remuneration and compensation and payments for loss of office

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with a Director or Supervisor wherein his emoluments are stipulated. The aforesaid emoluments include:

- (1) emoluments in respect of his service as Director, Supervisor or senior management of the Company;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

- (2) emoluments in respect of his service as director, supervisor or senior management of any subsidiary of the Company;
- (3) emoluments in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;
- (4) payment by way of compensation for loss of office or retirement from office.

No proceedings may be brought by a Director or Supervisor against the Company for any interest due to him in respect of the matters mentioned above except pursuant to a contract which has been entered into in the foregoing manner.

The contract concerning the emoluments between the Company and its Directors or Supervisors should provide that in the event of a takeover of the Company, the Directors and Supervisors shall, subject to the prior approval of shareholders in general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. For the purpose of this paragraph, a “takeover of the Company” includes any of the following:

- (1) an acquisition offer made by any person to all shareholders;
- (2) an acquisition offer made by any person with a view to the offeror becoming a “controlling shareholder” within the meaning set out in Article 58 of the Articles of Association.

If the relevant Director or Supervisor does not comply with the foregoing paragraph, any sum so received by him shall belong to those persons who have sold their shares as a result of such offer. The expenses incurred in distributing that sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not be paid out of that sum.

Loans to Directors, Supervisors and other senior management

The Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a Director, Supervisor, general manager or other senior management of the Company or of holding company of the Company or any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

- (1) the provision by the Company of a loan or a guarantee in connection with the making of a loan to its subsidiary;
- (2) the provision by the Company of a guarantee of a loan or a guarantee in connection with the making of a loan or any other funds available to any of its Directors, Supervisors, general managers, and other senior management to meet expenditure incurred or to be

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting; and

- (3) if the ordinary course of business of the Company includes the lending of money or the giving of guarantees, the Company may make a loan to or provide a guarantee in connection with making of a loan to any of the relevant Directors, Supervisors, general managers and other senior management or their respective associates in the ordinary course of its business on normal commercial terms.

Any person who receives funds from a loan which has been made by the Company acting in breach of the foregoing provision shall, irrespective of the terms of the loan, forthwith repay such funds immediately.

Financial assistance for the acquisition of shares in the Company or any of its subsidiaries

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in the Company. This includes any person who directly or indirectly assumes any obligations as a result of the acquisition of shares in the Company (the “**Obligor**”).

The Company and its subsidiaries shall not, at any time, provide any form of financial assistance to the Obligor for the purposes of reducing or discharging the obligations assumed by such person.

The following activities are not prohibited:

- (1) the provision of financial assistance by the Company where the financial assistance given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;
- (2) the lawful distribution of the Company’s assets as dividends;
- (3) the allotment of bonus shares as dividends;
- (4) a reduction of registered capital, a repurchase of shares of the Company or a reorganisation of share capital structure of the Company effected in accordance with the Articles of Association;
- (5) the lending of money by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

- (6) contributions made by the Company to the employee share ownership schemes (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For the purposes of the foregoing provisions,

“Financial assistance” includes (without limitation):

- (1) gift;
- (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the Obligor), compensation (other than compensation in respect of the Company’s own default) or release or wavier of any rights;
- (3) the provision of a loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party to the agreement, or a change in the parties to, or the assignment of rights under, such a loan or other agreement; or
- (4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

“Assumption of obligation” include the assumption of obligations by way of contract or by way of arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligation is to be borne solely by the Obligor or jointly with other persons) or by any other means which results in a change in his financial position.

Remuneration

The emoluments of a Director shall be approved by shareholders in general meeting as referred to under the paragraph headed “(1) Directors and Senior Management — (C) Remuneration and Compensation and Payments for Loss of Office” in this section.

Retirement, appointment and removal

The term of office of the Chairman and other Directors shall be three years commencing from the date of appointment or re-election, renewable upon re-election.

The Directors shall be elected and dismissed by the shareholders in general meeting.

A Director is not required to hold any share in our Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

A person may not serve as a Director, Supervisor, general manager or other senior management of the Company if such person:

- (i) has no civil capacity or has limited civil capacity;
- (ii) was sentenced for the offence of corruption, bribery, expropriation, misappropriation of property or for disrupting the social and economic order, and less than five years has elapsed since the sentence was served, or who has been deprived of political rights due to such crimes, where less than five years has elapsed since the deprivation was completed;
- (iii) was a former director, factory manager or general manager of a company or enterprise which has been dissolved or put into liquidation on the ground of maladministration and was personally liable for the winding up of such company or enterprise, and less than three years has elapsed since the date of completion of the dissolution and liquidation of the Company or enterprise;
- (iv) was a former legal representative of a company or an enterprise which has had its business license revoked for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;
- (v) has comparatively large amount of individual debts that have become overdue and have not been settled;
- (vi) has been currently under investigation or prosecuting by judicial organs for criminal offence which investigation or prosecution is not yet concluded;
- (vii) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;
- (viii) is not a natural person;
- (ix) has been convicted by relevant competent authorities for violation of securities-related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction.

The validity of an act by a Director, general manager or other senior management on behalf of the Company to bona fide third party shall not be affected by any irregularity in his appointment, election or eligibility.

The board shall consist of nine members. Members of the board shall have a chairman and three independent non-executive directors. The chairman should be elected and removed by over half of the entire member of the board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

Notice and Minutes of Board Meetings

Board meetings shall be held at least four times every year. Board meetings shall be convened by way of a notice served to all Directors not less than 14 days. Upon requisition by the shareholders representing more than one-tenth of the voting shares, one-third or more directors, supervisory committee or general manager, the chairman of the board shall convene and preside the extraordinary meeting of the board within 10 days. The board shall keep minutes of board resolutions and the attending Directors and the person taking the minutes shall sign the board minutes.

Board meetings shall be held only if more than one-half of the Directors are present.

Each Director shall have one vote. Resolutions of the Board require the approval of more than half of all the Directors.

Where the numbers of votes voting for and against a resolution are equal, the chairman of the Board shall have a casting vote.

Duties

In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of the Company are listed, each of the Company's Directors, Supervisors, general managers and other senior management owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

- (1) not to cause the Company to exceed the scope of business stipulated in its business licence;
- (2) to act honestly and in the best interests of the Company;
- (3) not to expropriate the Company's property in any way, including (without limitation) usurpation of opportunities which benefit the Company; and
- (4) not to expropriate the individual rights of shareholders, including (without limitation) rights to distributions and voting rights, save and except according to a restructuring of the Company which has been submitted to the shareholders for approval in accordance with the Articles of Association.

Each of the Directors, Supervisors, general managers and other senior management owes a duty, in the exercise of his powers and in the discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each of the Directors, Supervisors, general managers and other senior management shall exercise his powers or perform his duties in accordance with the fiduciary principle and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- (1) to act honestly in the best interests of the Company;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE PRC COMPANY LAW**

- (2) to act within the scope of his powers and not to exceed such powers;
- (3) to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to delegate the exercise of his discretion;
- (4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (5) unless otherwise provided for in the Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with the Company;
- (6) not to take advantage of the assets of the company in any form without the informed consent of the shareholders given in a general meeting;
- (7) not to exploit his position to accept bribes or other illegal income or expropriate the Company's property in any way, including (without limitation) opportunities which benefit the Company;
- (8) not to accept commissions in connection with the Company's transactions, unless with the informed consent of the shareholders given in a general meeting;
- (9) to comply with the Articles of Association, to perform his official duties faithfully, to protect the Company's interests and not to exploit his position and power in the Company to advance his own interests;
- (10) not to compete with the Company in any way, unless with the informed consent of the shareholders given in a general meeting;
- (11) not to appropriate the capital of the company or to loan such funds to other, not to deposit the funds of the Company in their own or other personal bank accounts, or provide assets of the Company as guaranty for the shareholders of the Company or others;
- (12) not to release any confidential information which he has obtained during his term in office, without the informed consent of the shareholders in a general meeting; nor shall he use such information otherwise than for the Company's benefit save that disclosure of such information to the court or other governmental authorities is permitted if:
 - (i) disclosure is required by law;
 - (ii) public interests so requires; or

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

- (iii) the interests of the relevant Director, Supervisor, general managers or other senior management so requires.

Each Director, Supervisor, general managers and other senior management of the Company shall not direct the following persons or entities (“**associates**”) to act in a manner which he is prohibited from doing:

- (1) the spouse or minor child of the Director, Supervisor, general managers or other senior management;
- (2) the trustee of the Director, Supervisor, general managers or other senior management or of any person described in sub-paragraph (1) above;
- (3) the partner of that Director, Supervisor, general manager or other senior management or any person referred to in sub-paragraphs (1) and (2) above;
- (4) a company in which that Director, Supervisor, general managers or other senior management, whether alone or jointly with one or more of the persons referred to in sub-paragraphs (1), (2) and (3) above and other Directors, Supervisors, general managers and other senior management, has de facto controlling interest; and
- (5) the Directors, Supervisors, general managers, deputy general managers and other senior management of a company which is being controlled in the manner set out in subparagraph (4) above.

The fiduciary duties of the Directors, Supervisors, general managers and other senior management of the Company do not necessarily cease with the termination of their tenure. The duty of confidentiality in respect of trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period in fair principle, depending on the time which has lapsed between the termination and the act concerned and the circumstances and terms under which the relationship with the Company was terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, general managers or other senior management of the Company breaches the duties which he owes to the Company, the Company has a right:

- (1) to demand such Director, Supervisor, general managers or other senior management to compensate it for losses sustained by the Company as a result of such breach;
- (2) to rescind any contract or transaction which has been entered into between the Company and such Director, Supervisor, general managers, or other senior management or between the Company and a third party (where such third party knows or should have known that such Director, Supervisor, general managers or other senior management representing the Company has breached his duties owed to the Company);

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

- (3) to demand such Director, Supervisor, general managers or other senior management to account for profits made as a result of the breach of his duties;
- (4) to recover any monies which should have been received by the Company and which were received by such Director, Supervisor, general managers or other senior management instead, including (without limitation) commissions; and
- (5) to demand repayment of interest earned or which may have been earned by such Director, Supervisor, general managers or other senior management on monies that should have been paid to the Company.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

Pursuant to the provisions of law, administrative regulations and the Articles of Association, the Company has a right to amend the Articles of Association.

The Articles of Association and its amendments shall be approved by the shareholders' general meeting. Where the amendments approved by the shareholders' general meeting shall be subject to the approval of the relevant regulatory authorities, such amendments shall be submitted to the relevant regulatory authorities for approval; if any registration is concerned, the Company shall apply for registration of the changes in accordance with the law.

The Board shall amend the Article of Association in accordance with the resolution duly passed and authorised by the Shareholders.

BORROWING POWERS

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- (i) provisions which authorize the Board to formulate proposals for the issuance of bonds or other marketable securities and the listing of our Company; and
- (ii) provisions which provide that the issuance of bonds or other marketable securities and listing of our Company shall be approved by the Shareholders' general meeting by a special resolution.

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VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Any proposal by the Company to vary or abrogate the rights conferred on any class of shareholders (“**class right**”) must be approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the class rights of a class:

- (1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or allocation rights or privileges equal or superior to the shares of that class;
- (2) to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;
- (3) to remove, or reduce rights to accrued dividends or rights to cumulative dividends attached to share of that class;
- (4) to reduce or remove preferential rights to receive dividends or to the distribution of assets in the event that the Company is liquidated attached to shares of that class;
- (5) to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of that class;
- (6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of that class;
- (7) to create a new class of shares having voting or allocation rights or privileges equal or superior to those of the shares of that class;
- (8) to restrict the transfer or ownership of the shares of that class or to increase the types of restrictions attaching thereto;
- (9) to allot and issue rights to subscribe for, or to convert the existing shares into, shares in the Company of that class or another class;
- (10) to increase the rights or privileges of shares of another class;
- (11) to restructure the Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; and
- (12) to vary or abrogate the provisions in Chapter 3 of the Articles of Association.

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Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings shall nevertheless have the right to vote at class meetings in respect of matters concerning (2) to (8) and (11) to (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested shareholders" is:

- (a) in the case of a repurchase of Share by way of a general offer to all shareholders on a pro-rata basis or by way of public dealing on a stock exchange pursuant to the Articles of Association, a "controlling shareholder" within the meaning of the Articles of Association;
- (b) in the case of a repurchase of Shares by an off-market contract pursuant to the Articles of Association, a holder of the Shares to which the proposed contract relates; and
- (c) in the case of a restructuring proposal of the Company, a shareholder within a class who bears a relatively lower proportion of obligation compared with that imposed on that class of shareholders under the proposed restructuring or who has an interest in the proposed restructuring different from the general interest of other shareholders of that class.

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the voting rights of shareholders of that class present at the relevant meeting who, according to the Articles of Association, are entitled to vote thereat.

Written notice of a class meeting shall be given to all shareholders who are registered as holders of that class in the register of shareholders 45 days before the date of the class meeting. Such notice shall give such shareholders notice of the matters to be considered at such meeting, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to the Company 20 days before the date of the class meeting.

If the shareholders who intend to attend such class meeting represent more than half of the total number of shares of that class which have the right to vote at such meeting, the Company may hold the class meeting; if not, the Company shall within five days give the shareholders further notice of the matters to be considered, the date and the place for the class meeting by way of public announcement. The Company may then hold the class meeting after such public announcement has been made.

Notice of class meetings are only required to be served on shareholders entitled to vote at the class meeting. Class meetings shall be conducted, as far as is possible, in the same manner as shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any class meeting of shareholders.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE PRC COMPANY LAW

Besides shareholders of other class, holders of Domestic Shares and Unlisted Foreign Shares are same class of shareholders, and overseas listed foreign shares are deemed to be different classes of shareholders.

The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

- (a) where the Company issues, upon approval by a special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas-listed foreign-invested shares; or
- (b) where the Company's plan to issue domestic shares and overseas-listed foreign invested shares at the time of its incorporation is completed within fifteen months from the date of approval by the CSRC; or
- (c) where the Company's unlisted shares may be converted into foreign shares for listing and trading on an overseas stock exchange, subject to the CSRC.

ORDINARY AND SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of shareholders general meetings shall be classified into ordinary resolutions and special resolutions.

An ordinary resolution must be passed by votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution must be passed by votes representing two-thirds or more of the voting rights represented by the shareholders (including proxies) present at the meeting.

VOTING RIGHTS (GENERALLY, ON A POLL AND RIGHT TO DEMAND A POLL)

The shareholders have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote in proportion to their shareholdings thereat.

A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one vote.

On a poll taken at a meeting, a shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall have a casting vote.

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REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

The Board shall convene a shareholders' annual general meeting once each year within six months of the end of the preceding financial year.

ACCOUNTS AND AUDIT

The Company shall formulate its own financial and accounting system and internal audit system in accordance with the relevant requirements of PRC laws, administrative regulations and PRC accounting standards formulated by the finance department of the State Council.

The Company shall prepare financial statements at the end of each fiscal year. Such statements shall be audited and examined under the requirements of laws. The board shall place before the shareholders at every annual general meeting such financial statements prepared by the Company in accordance with relevant laws, administrative regulations or directives promulgated by competent local and central governmental authorities.

The financial reports of the Company shall be made available for shareholders' inspections at the Company not less than 20 days before the annual general meeting. Each shareholder of the Company shall be entitled to obtain a copy of the financial reports.

The Company shall send the printed copies of the abovementioned financial reports together with the directors' report to each Shareholder by mail at least 21 days before the annual general meeting. The service address shall be the address recorded in the register of shareholders.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards, or that of the overseas place where the Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in a note to the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim and quarterly results or financial information published or disclosed by the Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place of where the Shares are listed.

The appointment, dismissal or termination of the office of the auditors shall be determined at shareholders' general meetings and reported to the relevant State Council securities regulatory authorities for record.

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Shareholders in general meeting may by ordinary resolution remove the Company's auditors before their term of office expires, irrespective of any provisions contained in the contract entered into between the Company and the auditors. Any right of the auditors to claim against the Company in connection with their removal shall not be affected by such removal.

In the event of the dismissal or termination of the services of the auditors, such auditors who are to be dismissed or whose services are to be terminated shall be given notice in advance. Such auditors shall have the right to present their views at the following shareholders' general meetings:

- (i) the shareholders' general meeting at which their term of office would otherwise have expired;
- (ii) any shareholders' general meeting at which it is proposed to fill the casual vacancy caused by their removal; or
- (iii) any shareholders' general meeting convened on their resignation.

The Company shall publish two financial reports every financial year, and interim report shall be published within 60 days after the expiry of the first six month period of the financial year. The annual financial report will be published within 120 days after the expiry of the financial year.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its powers and function according to law.

The Company shall not, without the prior approval of shareholders in general meeting, enter into any contract with any person (other than a Director, Supervisor, general manager or other senior management) pursuant to which such person shall be responsible for the management and administration of the whole or any substantial part of the Company's business.

Shareholders' general meetings include annual general meetings or extraordinary general meetings. Shareholders' meetings shall be convened by the board.

The board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following circumstances:

- (1) where the number of Directors is less than the number stipulated in the Company Law of PRC or two-thirds of the number specified in the Articles of Association;
- (2) where the unrecovered losses of the Company amount to one-third of the total amount of its paid-up shares;
- (3) where shareholder(s) holding 10% or more of the Company's issued and outstanding shares carrying voting rights request(s) for the convening of an extraordinary general meeting;

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- (4) whenever the Board considers necessary;
- (5) whenever the supervisory committee proposes;
- (6) other circumstances set out in laws, administrative regulations, provisions or this very Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given 45 days (the day on which the notice is issued shall not be counted while the day of meeting shall be counted in the notice period) before the date of the meeting to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning the attendance at such meeting to the Company 20 days (exclusive of the date of meeting) before the date of the meeting.

The shareholders holding over and including 3%, representing three percent, of the total shares of the Company by oneself or in total may put forward interim proposals and submit such to the board in written 10 days before the meeting. The Company shall submit such proposals to the shareholders' general meeting for discussion.

An extraordinary shareholders' general meeting shall not decide on matters not stated in the notice of meeting.

The Company shall, based on the written notice which it receives 20 days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amount to more than one-half of the Company's total voting shares, the Company may hold the meeting; if not, then the Company shall within five days notify the shareholders again by way of public announcement the matters to be considered at, the place and date for, the meeting. The Company may then hold the meeting after such announcement.

Notice of general meeting of shareholders shall:

- (a) be in writing;
- (b) specify the venue, date and time of the meeting;
- (c) state the matters to be discussed at the meeting;
- (d) provide such information and explanation as are necessary for the shareholders to make an informed decision on the proposals put before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another to repurchase shares of the Company, to reorganise the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

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- (e) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, general manager or other senior management in the proposed transaction and the effect of the proposed transaction on such Director, Supervisor, general manager or other senior management in his capacity as shareholder in so far as it is different from the effect on the interests of other shareholders of the same class;
- (f) contain the full text of any special resolution to be proposed at the meeting;
- (g) contain a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that a proxy need not be a shareholder;
- (h) specify the time and place for lodging the proxy form for the relevant meeting;
- (i) specify the registration date of shares of shareholders to attend; and
- (j) contain the mobile phone number of the standing liaison.

For the holders of Domestic Shares and Unlisted Foreign Shares, notice of the meetings may also be issued by way of public announcement. The public announcement referred to in the preceding paragraph shall be published in one or more national newspapers designated by the CSRC within the interval between 45 days and 50 days before the date of the meeting. After the publication of such announcement, the holders of Domestic Shares and Unlisted Foreign Shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

For the holders of H shares, under the permission expressly given by the shareholder and in accordance with the GEM Listing Rules, that the notice of shareholder's general meeting, inform letter and other documents could be issued by way of online announcement on website of the Company's or the Stock Exchange.

The following matters shall be resolved by way of ordinary resolution at the general meeting:

- (a) working reports of the board and the supervisory committee;
- (b) profit distribution proposals and proposals for making up losses formulated by the board;
- (c) dismissal of members of the board and the supervisory committee and their remuneration and manner of payment;
- (d) annual preliminary and final budgets, balance sheets, profit and loss accounts and other financial statements;
- (e) engagement or dismissal or cessation of engagement of accounting firms; and
- (f) matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

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The following matters shall be resolved by way of special resolution of the shareholders' general meeting:

- (a) increase or reduction of the Company's share capital and the issuance of shares of any class, warrants and other similar securities;
- (b) issue of debentures of the company;
- (c) the separation, merger, change of corporate form, dissolution or liquidation of the Company;
- (d) amendment of the Articles of Association;
- (e) any other matters which should be adopted by a special resolution as required by laws, administrative regulations and the Articles of Association or as considered to be material to the company under the ordinary resolution passed in the shareholders' meeting.

TRANSFER OF SHARES

Fully paid overseas listed foreign shares listed in Hong Kong shall be transferred freely in accordance with the provisions set forth in the Articles of Associations. However, the Board may refuse to recognise any instrument of transfer without giving any reason, unless:

- (1) a fee as provided by, from time to time, the Hong Kong Stock Exchange GEM Listing Rules, has been paid to the Company for registration of any transfer or any other document which is related to or will affect ownership of or change of ownership of the Shares;
- (2) The share transfer document only involves the overseas listed foreign shares listed in Hong Kong;
- (3) Stamp duty has been paid in respect of the share transfer document;
- (4) Relevant share certificates and such other evidence as the board of directors may reasonably require to show the right of the transferor to make the transfer have been produced;
- (5) the document of transfer shall use standard transfer form stipulated by Stock Exchange;
- (6) If the shares are transferred to joint holders, the number of joint holders shall not exceed four;
- (7) The shares are free from any lien in favour of any company.

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REGISTER OF SHAREHOLDERS

Register of shareholders

The Company shall keep a complete register of shareholders which shall contain the following particulars:

- (1) the name (title) and address (residence), the occupation or nature of each shareholder;
- (2) the quantity and the class of shares held by each shareholder;
- (3) the amount paid-up on or agreed to be paid-up on the shares held by each shareholder;
- (4) the share certificate number(s) of the shares held by each shareholder;
- (5) the date on which each shareholder was entered in the register as a shareholder;
- (6) the date on which any shareholder ceased to be a shareholder;
- (7) Unless there is evidence to the contrary, the register of shareholders shall be sufficient;
- (8) evidence of the shareholders' shareholdings in the Company.

The register of shareholders shall comprise the following parts:

- (1) the register of shareholders which is maintained at the Company's residence (other than those share registers which are described in subparagraphs (2) and (3) below);
- (2) the register of shareholders in respect of the holders of overseas-listed foreign-invested Shares of the Company which is maintained in the same place as the overseas stock exchange on which the shares are listed; and
- (3) the register of shareholders which are maintained in such other place as the board may consider necessary for the purposes of listing of the Company's shares.

The Company may, in accordance with the mutual understanding and agreements made between the CSRC and overseas securities regulatory organisations, maintain the register of shareholders of overseas-listed foreign-invested shares overseas and appoint overseas agent(s) to manage such share register. The original share register for holders of H Shares shall be maintained in Hong Kong.

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A duplicate of the register of shareholders for holders of overseas-listed foreign invested shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of shareholders at all times. If there is any inconsistency between the original and the duplicate register of shareholders for holders of overseas-listed foreign invested shares, the original register of shareholders shall prevail.

Different parts of the register of shareholders shall not overlap. No transfer of any shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Amendments or rectification of the register of shareholders shall be made in accordance with the laws of the place where the register of shareholders is maintained.

Unless otherwise regulated in regulations of the securities administrative authority of the listing place, no changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES AND REDUCE ITS SHARE CAPITAL

Subject to the provisions of the Articles of Association, the Company may reduce its registered capital.

The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the competent authority of PRC, repurchase its own issued shares under the following circumstances:

- (1) cancellation of shares for the purpose of reducing its share capital;
- (2) merging with another company that holds shares in the Company;
- (3) to award the employees of the Company with shares;
- (4) it is requested by any shareholder to purchase his shares because this shareholder raises any objection to the Company's resolution on merger or demerger made at the shareholders' general meeting; or
- (5) other circumstances as permitted by law and administrative regulations.

Where a company needs to purchase its own shares for any of the reasons as mentioned in items (1) through (3) of the preceding paragraph, it shall be subject to a resolution of the shareholders' general meeting. After the Company purchases its own shares pursuant to the provisions of the preceding paragraph, such Shares shall, under the circumstance as mentioned in item (1), be cancelled within 10 days; while under either circumstance as mentioned in item (2) or (4), such Shares shall be transferred or cancelled within 6 months.

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The shares purchased by the Company in accordance with item (3) of the preceding paragraph shall not exceed 5% of the total shares already issued by the Company. The fund used for the share acquisition shall be paid from the after-tax profits of the Company. The shares purchased by the Company shall be transferred to the employees within 1 year after the purchase.

The Company may repurchase shares in one of the following ways, with the approval of the relevant governing authority of PRC:

- (1) by making a general offer for the repurchase of shares to all its shareholders on the same pro rata basis;
- (2) by repurchasing shares through public dealing on a stock exchange;
- (3) by repurchasing shares outside of the stock exchange by means of an off-market agreement ;
- (4) other methods permitted by laws and administrative regulations or approved by the CSRC.

The Company must obtain the prior approval of the shareholders in a general meeting (in the manner stipulated in the Articles of Association) before it can repurchase shares outside of the stock exchange by means of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders in general meeting (in the same manner), release, vary or waive its rights under an agreement which has been so entered into.

An agreement for the repurchase shares referred to in the preceding paragraph includes (without limitation) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares.

The Company may not assign an agreement for the repurchase of its shares or any right contained in such an agreement.

As for the cancellation of repurchased shares pursuant to the Articles of Association, the Company shall apply to the companies registration authority for registration of the change of its registered capital.

The aggregate par value of the cancelled shares shall be deducted from the Company's registered share capital.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- (1) where the Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of shares made for the purpose of repurchase of old shares;

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- (2) where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares. Payment of the portion in excess of the par value shall be effected as follows:
- (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
 - (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of shares made for the purpose of repurchase of old shares, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased nor shall it exceed the book value of the Company's premium account (or if applicable, capital reserve fund account, including the premiums on the new issue) at the time of the repurchase.

The Company shall make the following payments out of the Company's distributable profits:

- (i) payment for the acquisition of the right to repurchase its own shares;
- (ii) payment for variation of any contract for the repurchase of its shares;
- (iii) payment for the release of its obligation(s) under any contract for the repurchase of shares;

After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value of shares which have been repurchased shall be transferred to the Company's capital reserve fund account.

Upon the reduction of registered capital, the Company shall prepare a balance sheet and a list of its assets. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish the notice for at least three times in a newspaper within 30 days thereof. Creditors who receive this notice shall have the right within 30 days from the date of receiving the notice and the creditors who have not received the notice shall have the right within 90 days from the date the notice was published in the newspaper, to require the Company to settle the debt or to provide corresponding security in respect of the debt.

The registered capital shall not be less than the minimum statutory requirement after the reduction of registered capital.

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DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

The Company may distribute dividends in the following forms:

- (a) cash; or
- (b) shares.

The Company shall appoint receiving agents for holders of the overseas-listed foreign invested shares. Such receiving agents shall receive dividends which have been declared by the Company and all other amounts which the Company should pay to holders of overseas-listed foreign-invested shares on such shareholders' behalf.

The receiving agents appointed by the Company shall meet the relevant requirements of the laws of the place at which the stock exchange on which the Company's shares are listed or the relevant regulations of such stock exchange.

PROXIES

Any shareholder who is entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy or proxies to attend and vote on his behalf, and a proxy so appointed shall:

- (1) have the same rights as the shareholder to speak at the meeting;
- (2) have the right to demand or join in demanding a poll; and
- (3) have the right to vote by hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is legal person, with the corporate seal or under the hand of the director or the attorney duly authorised. The instrument appointing a proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation document shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or such person as is authorised by resolution of its board of directors or other governing body may attend at any meeting of shareholders of the Company as a representative of the appointor.

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Any form issued to a shareholder by the board for use by the shareholder for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favour of or against each resolution dealing with the business to be transacted at the meeting. Such a form shall contain a statement to the effect that, in the absence of such instructions by the shareholder, the proxy may vote as he thinks fit. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid have been received by the Company before the commencement of the meeting.

The holders of ordinary shares of the Company shall enjoy the following rights:

- (1) to receive dividends and other forms of profit distributions in proportion to the number of Shares held;
- (2) to demand, convene, preside, attend or appoint a proxy to attend shareholders' general meetings on his behalf and to vote thereat in accordance with laws;
- (3) to supervise the business operations of the Company and to present proposals or to raise enquiries;
- (4) to transfer give or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- (5) to obtain relevant information in accordance with the Articles of Association including:
 - (a) the right to a copy of the Articles of Association at cost;
 - (b) the right to inspect and copy upon paying reasonable charges:
 - (i) all parts of the register of shareholders;
 - (ii) personal particulars of each of the Directors, Supervisors, general managers and other senior management including:
 - (aa) present and former name and alias;
 - (bb) principal residential address;
 - (cc) nationality;
 - (dd) primary and all other part-time occupations and duties;
 - (ee) identification documents and their numbers;

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- (iii) report on the State of the Company's share capital;
- (iv) reports showing the aggregate number and par value of Shares repurchased by the Company since the end of the last accounting year, the aggregate amount paid by the Company for the Shares repurchased and the maximum and minimum price paid in respect of each class of Shares repurchased;
- (v) minutes of Shareholder's general meetings;
- (vi) report of the Board and Supervisors;
- (c) in the event of the termination or liquidation of the Company to participate, in the distribution of surplus assets of the Company in accordance with the number of Shares held; and
- (d) other rights conferred by laws, administrative regulations and the Articles of Association.

QUORUM FOR GENERAL MEETINGS AND CLASS MEETINGS

The Company may convene a shareholders' general meeting where the number of voting shares represented by those shareholders from whom the Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of the Company's total number of voting shares; or, if not, the Company shall within five days publicly announce to the shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, the Company may convene shareholder's general meeting.

The Company may convene a class meeting where the number of voting shares represented by those shareholders from whom the Company has received, 20 days before the meeting, notices of intention to attend the meeting is more than one-half of the total number of voting shares of that class; or, if not, the Company shall within five days publicly announce to the shareholders the agenda, the date and venue of the meeting. Having made announcement by way of notice, the Company may convene shareholders' class meetings.

The above procedure applies mutates mutandis to shareholders of the relevant class of shares in respect of class meetings.

RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which H Shares of the Company are listed, a Controlling Shareholder (as defined below) shall not exercise his voting rights in a manner prejudicial to the interests of all or some of the shareholders of the Company in respect of the following matters:

- (a) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

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- (b) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of the Company's assets in any way, including without limitation, opportunities beneficial to the Company; or
- (c) to approve the expropriations by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including without limitation, rights to distributions and voting rights except pursuant to a restructuring of the Company which has been submitted to the shareholders for approval in a general meeting in accordance with the Articles of Association.

For these purposes, a "Controlling Shareholder" means a person who satisfies any one of the following conditions:

- (i) he alone or acting in concert with others has the power to elect more than half of the Directors;
- (ii) he alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;
- (iii) he alone or acting in concert with others holds 30% or more of the issued shares; or
- (iv) he alone or acting in concert with others in any other manner is in de facto control of the Company.

PROCEDURES ON LIQUIDATION

Shareholders have the right to participate in the distribution of the surplus assets of the Company in proportion to the number of shares held by them in the event of a liquidation of the Company.

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- (1) where the shareholders' general meeting resolves that the Company should be dissolved;
- (2) where dissolution is necessary as a result of the merger or division of the Company;
- (3) where the Company is declared insolvent according to the law because it is unable to pay its debts as they fall due;
- (4) when the Company is ordered to be closed down by reason of its violation of laws or administrative regulations;
- (5) when the term of operation is expired or other dissolution events stipulated in the Articles of the Association occur; or

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- (6) when the Company is experiencing material difficulties in operations, and its continual operator will lead to substantial loss to the benefits of the shareholders and no other solutions to resolve the matters, the shareholders, who aggregately hold more than 10% of total voting shares of the Company, can appeal to the court for dissolution of the Company.

A liquidation committee shall be set up within 15 days of the Company being dissolved pursuant to sub-paragraphs (1), (4), (5) and (6) of the preceding paragraph to carry out a liquidation. The liquidation committee shall comprise people as determined by the shareholder's general meeting as ordinary resolution. The liquidation committee shall notice creditors within 10 days and publicly announce on newspaper within 60 days of its formation.

Where the Company is dissolved under sub-paragraphs (3) of the preceding paragraph, the People's Court shall in accordance with the provisions of relevant laws organise the shareholders, relevant organisations and relevant professional personnel to establish a liquidation committee to carry out the liquidation.

Where the board proposes to liquidate the Company due to reasons other than where the Company's declaration of its own insolvency, the board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the board is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and to present a final report to the shareholders' general meeting on completion of the liquidation.

OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

General Provision

The Company is a joint stock limited company whose term of operation is 30 years counted from the date of incorporation.

From the date on which the Articles of Association come into effect, the Articles of Association shall constitute a legally binding public document regulating the Company's organization and activities, and the rights and obligations between the Company and each shareholder and among the shareholders inter se.

The Company may invest in other listed companies; or joint stock listed companies. The Company's liabilities to an investee company shall be limited to the amount of its capital contribution to the investee company. Otherwise, the Company shall not become an investor that assumes joint guarantee liability of the debt of any investee company.

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Share capital

The Company may, based on its operating and development needs, increase its share capital pursuant to the Articles of Association.

The Company may increase its capital in the following ways:

- (i) by public offering of shares;
- (ii) by non-public offering of shares;
- (iii) by placing new shares to its existing shareholders;
- (iv) by allotting bonus shares to its existing shareholders;
- (v) by capitalizing its capital common reserve;
- (vi) by any other means which is permitted by laws and administrative regulations.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provision of the Articles of Association, the issuance thereof should be made in accordance with procedures set out in the relevant laws and administrative regulations.

Shareholders' obligations

The ordinary shareholders of the Company shall assume the following obligations:

- (i) to comply with laws and regulations and the Articles of Association;
- (ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (iii) unless otherwise stated in laws or regulations, no withdrawal shall be sustained;
- (iv) impairing interests of the Company or other shareholders via abuse of shareholders' right is not permitted, where there is aforesaid damage caused, there is a legal duty of compensation of the shareholder;
- (v) shareholder, who has severely damaged interests of Company's creditor by abuse of the independent personality of the Company and the limited liability of shareholders, shall be held jointly liable for debts of the Company;
- (vi) other obligations imposed by laws, administrative regulations and the Articles of Association.

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Shareholders are not liable to make further contribution to the share capital other than as agreed by the subscriber of the relevant shares at the time of subscription.

Secretary of the Board

The Company shall have one secretary of the Board. The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed and removed by the Board. His primary responsibilities, amongst other things, are to ensure that:

- (i) the Company maintains a complete organisational documents and records;
- (ii) the Company prepares and submits all reports and documents to the relevant authorities required by the law;
- (iii) the register of shareholders of the Company is properly maintained and that the persons entitled to receive the Company's records and documents are furnished therewith without delay;
- (iv) other duties stipulated in laws, regulations, the Articles of Association or required by the stock exchange.

Supervisory Committee

The Company shall have a supervisory committee.

The Directors, general managers and other senior managements shall not act concurrently as Supervisors.

The supervisory committee shall be composed of three Supervisors. One of the members of the supervisory committee shall be the chairman. Each Supervisor shall serve for a term of three years, which term is renewable upon re-election and reappointment.

The election or removal of the chairman of the supervisory committee shall be determined by two-thirds or more of the members of the supervisory committee.

The supervisory committee shall comprise two representatives nominated by the shareholders and one representative nominated by the staff. The representatives of the shareholders shall be elected and removed by shareholder's general meeting while the representatives of staff shall be elected and removed by the staff of the Company democratically.

The supervisory committee shall be accountable to the shareholders in general meeting and shall exercise the following functions and powers in accordance with law:

- (1) to monitor financial situations of the Company;

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- (2) supervising the related acts of any of the Directors, general managers and other senior management who violates any laws, administrative regulations or the Articles of Association;
- (3) to demand any Director, general managers, any other senior management who acts in a manner which is detrimental to the Company's interest to rectify such behavior;
- (4) to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board to the shareholders' general meetings and to authorise, in the Company's name, publicly certified and practicing accountants to assist in the re-examination of such information should any doubt arise in respect thereof;
- (5) to propose to convene a shareholders' extraordinary general meeting;
- (6) to represent the Company in negotiations with or in bringing actions against a Director; and
- (7) other functions and powers specified in any law administrative regulation the Articles of Association.

The supervisory committee shall convene at least one meeting every six months. The supervisors may attend the meetings of the board.

General manager

The Company shall have one general manager, who shall be appointed and dismissed by the Board. The term of the office of general manager shall be three years, renewable upon re-election.

The general manager shall be accountable to the Board and shall exercise the following powers:

- (i) to be in charge of the Company's operation and management and to implement the resolutions of and report to the board;
- (ii) to formulate and implement the Company's annual business plan and investment plan;
- (iii) to formulate the Company's internal management structure;
- (iv) to draft implementing rules of the Company;
- (v) to draft the basic management scheme of the Company;
- (vi) to propose the appointment or dismissal of our company's deputy managers, financial controllers;

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(vii) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board;

(viii) to exercise other powers conferred by the Articles of Association and the board.

The general manager shall be present at meetings of the board, but shall have no voting rights at the meetings if it is not a Director.

The general manager, in performing its functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and the Articles of Association.

Board

The board is accountable to the shareholders' general meeting and exercises the following powers:

- (1) to be responsible for the convening of the shareholders' general meeting and to report on its work to the shareholders' general meeting;
- (2) to implement the resolutions passed by the shareholders in general meetings;
- (3) to determine the Company's business plans and investment proposals;
- (4) to formulate the Company's annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution proposal and loss recovery proposal;
- (6) to formulate proposals for the credit and financial policies of the Company, the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures;
- (7) to draw up plans for the merger, division, change of the Company form or dissolution of the Company;
- (8) to decide on the Company's internal management structure and the establishment of Company's branch officers;
- (9) to appoint or remove the Company's general manager and, based on the recommendations of the general manager, decide on the appointment or removal of the deputy general manager, financial controller and other senior executives and their respective remuneration, bonus and disciplinary actions;
- (10) to formulate the Company's basic management system;
- (11) to formulate proposals for any amendment of the Articles of Association and put to a vote of a general meeting;

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(12) to propose in shareholder's general meetings to engage or replace the firm which undertakes auditing work of the Company;

(13) to exercise any other powers conferred by the shareholders in general meeting or the Articles of Association.

Except the Board's resolutions in respect of the matters specified in subparagraphs (6), (7), (11) and (13) above which shall be passed by the affirmative vote of more than two-thirds of all the Directors the Board's resolutions in respect of all other matters may be passed by the affirmative vote of more than half of the Directors.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present.

Each Director shall have one vote.

Where a Director is interested in any resolution proposed at a Board meeting, such Director shall have no right to vote nor may vote on behalf of any other person, and shall not attend such part of the meeting where his interested transaction is discussed.

The meeting of the board shall not be held unless more than half of the disinterested directors are present at the meeting. A resolution of the board shall be adopted by more than half of the disinterested directors. If the number of disinterested directors in person is less than 3 persons, the matter shall be submitted to the shareholders' general meeting for deliberation.

Where there is an equality of votes cast both for and against a resolution, the chairman of the board shall have a casting vote.

Accounts and audit

Appointment of an auditor

The Company shall appoint an independent firm of certified public accountants ("CPA") which is qualified under the relevant regulations of PRC to audit the Company's annual financial reports and review the Company's other financial reports.

The first auditor of the Company could be appointed by the founding meeting before the first general meeting of shareholders and the term of the office of the first auditor shall be terminated before the first general meeting of shareholders. The Board could officiate the right aforesaid where the founding meeting fails to do so.

The term of office of an auditor shall commence from the conclusion of the annual general meeting of shareholders at which the appointment is made and end at the conclusion of the next annual general meeting of shareholders.

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If there is a vacancy of the position of the auditors of the Company, the Board may appoint a CPA firm to fill such vacancy before the convening of the shareholders' general meeting. Any other CPA firm which has been appointed by the Company may continue to act during the period during which a vacancy arises.

The shareholders in general meeting may by ordinary resolution remove an auditor before the expiration of its term of office, irrespective of any terms in the contract between the Company and the auditors. However, the auditors' right to claim for damages which arise from its removal shall not be affected thereby.

The remuneration of auditors or the manner in which such auditor is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of an accountant appointed by the board shall be determined by the board.

Change and removal of an accounting firm

The Company's appointment of, removal of and non-reappointment of a certified public accountants' firm shall be resolved by shareholders in general meeting. The relevant resolution of the shareholders' general meeting shall be filed with the competent securities authority of the State Council.

Where a resolution is proposed to be passed at a general meeting of shareholders to appoint as auditor a person other than an incumbent auditor, to fill a casual vacancy in the office of auditor, to reappoint as auditor a retiring auditor who was appointed by the board to fill a casual vacancy, or to remove an auditor before the expiration of his term of office, the following provisions shall apply:

- (1) A copy of the proposal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post (leaving includes leaving by removal, resignation and retirement) before notice of meeting is given to the shareholders.
- (2) If the auditor leaving its post makes representations in writing and requests the Company to notify such representations to the shareholders, the Company shall (unless the representations are received too late) take the following measures:
 - (i) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and
 - (ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- (3) if the paragraph, the auditor may (in addition to its right to be heard) require that the representations be read out at the shareholders' general meeting and may lodge further complaints.

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- (4) An auditor which is leaving its post shall be entitled to attend:
- (i) the shareholders' general meeting at which its term of office would otherwise have expired;
 - (ii) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and
 - (iii) any shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former auditor of the Company.

Resignation of an auditor

A CPA firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall contain the following statements:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or
- (2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within 14 days deliver a copy of the notice to the relevant governing authorities. If the notice contains a statement under the preceding paragraph (2), a copy of the notice shall be kept at the Company, for the inspection of the shareholders. The Company shall also send a copy of the notice to every shareholder of the overseas-listed foreign shares who is entitled to receive a report on its financial situation at the address registered in the register of shareholders.

Where the auditor's notice of resignation contains a statement in respect of the above, it may require the board to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

Dispute resolution

The Company shall abide by the following principles for dispute resolution:

- (1) Whenever any disputes or claims arising between holders of the overseas listed foreign invested Shares and the Company, holders of the overseas listed foreign-invested Shares and the Company's Directors, Supervisors, general manager or other senior management officers, or holders of the overseas listed foreign-invested Shares and holders of domestic

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invested Shares or Unlisted Foreign Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is the Company or the Company's shareholder, Director, Supervisor, general manager, deputy general manager or other senior management officers. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

- (2) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights mentioned in the first paragraph of this section are referred to arbitration, the laws of PRC shall apply, save as otherwise provided in laws and administrative regulations.
- (4) The award of an arbitration body shall be final and conclusive and binding on all parties.

OVERVIEW

This appendix consists of summaries of certain aspects of the PRC legal and judicial system, arbitration system and securities laws and specifically elaborates company law and regulations. It also contains a summary of certain requirements of Hong Kong Listing Rules.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives, local regulations and rules, and international treaties entered into by China. Decided court cases do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC (the "SCNPC") are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing the State organs, civil and criminal matters. The SCNPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

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The State Council is the highest organ of state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue regulations, rules and measures within the jurisdiction of their respective departments. All administrative rules, regulations, and measures promulgated by the State Council and its ministries and commissions must not conflict with the PRC Constitution and the national laws enacted by the NPC and the SCNPC. In the event that any such conflict arises, the SCNPC has the power to abrogate such administrative rules, regulations and measures.

Local regulations may be enacted or issued at the provincial or municipal people's congresses and the standing committees of the provincial or municipal people's congresses. The local governments may promulgate rules applicable to their own administrative region. However, these local regulations must not conflict with the PRC Constitution, the national laws, or the administrative rules and regulations promulgated by the State Council, as well as the administrative regulations promulgated by the State Council.

The power to interpret laws is vested by the PRC Constitution in the SCNPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, the Supreme Court of the PRC has the power to give brief interpretation on the specific application of laws in judicial proceedings of the court in addition to its power to issue specific interpretation for specific cases.

THE PRC JUDICIAL SYSTEM

Pursuant to the Law of Organization of the People's Courts of PRC (《中華人民共和國法院組織法》) passed on 1 July 1979 and lately amended on 31 October 2006, the PRC judicial system is composed of the Supreme People's Court, local people's courts, military courts and other special courts such as maritime court. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are divided into criminal, civil, and administrative divisions as well as certain people's courts based on the natures of the region, population and cases. The intermediate people's courts and higher people's courts have divisions similar to those of the basic people's courts and other special divisions (such as the intellectual property division and juvenile delinquency division), in accordance with needs. The Supreme People's Court is the highest judicial authority of PRC.

The PRC adopt a two-tier judicial system. If a party is not satisfied with a judgment or order of the first instance of a local people's court, it may appeal against such judgment or order to the people's court at the next higher level, and the judgments or orders of the second instance of the people's court at the higher level or the judgments or orders of the first instance of the Supreme People's Court are final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's courts at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has

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taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures. If a party considers an error exists in a final and binding judgment, which has taken effect, it may appeal for a retrial to the original people's court or a people's court at a higher level.

The PRC civil procedures are governed by the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) adopted on 9 April 1991 and lately amended on 31 August 2012, which prescribes the criteria for filling a civil lawsuit, the jurisdiction of the people's courts, the procedures for a civil lawsuit, the court procedures, and the procedures for enforcement of a civil judgment or order. All parties to a civil lawsuit conducted within the PRC must comply with the Civil Procedure Law. A general civil case is heard by a people's court located in the defendant's place of domicile. A court may also be specified in a contract by express agreement by the parties to preside the case provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of execution or implementation of the contract or the object of the action but it must not violate the regulations in respect of hierarchy and jurisdiction of the courts as stated in the Civil Procedure Law. A foreigner, stateless person, foreign enterprise and an organisation is given the same litigation rights and obligations as a citizen, legal person and other organisation of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens, legal person and other organisation, the PRC courts may apply the principal of reciprocity to the Civil Litigation Rights of the citizens, enterprises and organisations of that foreign country. If any party to a civil lawsuit refuses to comply with a judgment or order made by a people's court or an award made by an arbitration organ in the PRC, the affected party may apply to the people's court to enforce the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. The time limit is two years.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people's court in accordance with the principle of reciprocity or the international treaty with the relevant foreign country entered into or involved in which provides for such recognition and enforcement unless the people's court considers that the recognition or enforcement of such a judgment or ruling will violate the basic legal principles of the PRC and its sovereignty or public security, or for reasons of social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”) was adopted by the NPC Standing Committee on 29 December 1993 and was amended four times on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively. The latest revised Company Law came into effect on 1 March 2014. The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint-Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市特別規定》) (“**Special Regulations**”) was promulgated on 4 August 1994 by

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the State Council. The Mandatory Provisions for the Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the “**Mandatory Provisions**”) was promulgated jointly by the CSRC and the State Commission for Restructuring on 27 August 1994. The Company Law, Special Regulations and Mandatory Provisions constitute the main regulatory framework for the joint-stock limited companies listed overseas, and their major provisions are summarized as follows:

General

A “company” is a corporate legal person incorporated in accordance with the Company Law with independent legal person status and entitlements to such legal person properties and liability to the extent of its total assets.

Companies can be divided into limited liability companies and joint-stock limited companies. The liability of shareholders of a limited liability company is limited to the amount of capital they contribute, while the liability of shareholders of a joint-stock limited company is limited to the amount of shares they subscribe.

Incorporation

A joint-stock limited company may be incorporated by promotion or subscription. A joint-stock limited company may be incorporated by a minimum of two but not more than 200 promoters. At least half of the promoters must have residence within the PRC.

The promoters shall convene an inauguration meeting within 30 days from the date the subscription amounts have been fully paid up. The inauguration meeting shall be constituted by the presence of the promoters and subscribers. Where shares issued remain undersubscribed by the deadline stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. The promoters shall give notice to each of the subscribers or make a public announcement regarding the date of the inaugural meeting no less than 15 days before the date of the meeting. The inauguration meeting shall be held only if the promoters and subscribers representing more than half of the total shares issued are present.

Within 30 days after the conclusion of the inaugural meeting, the board of Directors shall apply to the registration authority for registration of the establishment of the company.

Upon the establishment of the joint-stock limited company, in the event that only partial payment of contribution has been made by a promoter, the remainder shall be paid in full in accordance with the provisions of the Articles of Association, whereas other promoters shall bear joint and several liabilities. Where the actual value of the nonmonetary capital contribution for the establishment of the

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company is significantly lower than the carrying amount stated in the Articles of Association, the promoter of such contribution shall make up the difference, whereas other promoters shall bear joint and several liabilities.

Promoter(s) of a joint-stock limited company shall bear the following liabilities:

- where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;
- where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus the bank deposit interest for the same period of time; and where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Amendments to the Articles of Association

A company may amend its Articles of Association in accordance with the laws, administrative regulations and the Articles of Association. Any amendment to the Articles of Association involving any issue set out in the Mandatory Provisions shall become effective upon approval by the company approval department authorized by the State Council and by the CSRC. If there is any change relating to the registration of the company, application shall be made for registration of the changes in accordance with the laws.

Share Capital

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million.

The promoter of a joint-stock limited company may make capital contribution in cash or in kind or by injection of nonmonetary property such as assets, intellectual property rights or land use rights with monetary value and lawfully transferrable, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made with nonmonetary assets, a valuation and verification of the asset contributed must be carried out without any overvaluation or undervaluation. Where the law or administrative regulations in place have any other provisions on valuation, such provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner. Shares of the same class shall rank *pari passu* with each other and shall be issued on the same conditions and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares. The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

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A joint-stock limited company may issue registered or bearer share certificates. Approval from the CSRC shall be obtained for the purpose of public share offering overseas. Shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Foreign shares listed overseas may be issued in form of foreign depository receipts or other derivative means. Where a company issues foreign shares listed overseas that the total number of which falls below the total number of shares under the proposed offering, it may, upon approval of the CSRC, retain shares of not more than 15% of the total number of foreign share overseas listing under such proposed offering besides the amount of underwritten shares agreed with the underwriters. Issuance of the retained shares shall form a part of the offering. Shares issued to promoters and legal persons shall be registered under the names of such promoters and legal persons and shall not be registered under any other names or the names of its representatives.

Increase in Share Capital

When a company is issuing new shares, resolutions shall be passed by the shareholders' general meeting approving the class, number and issue price of the new shares, the dates of commencement and completion of the issue and the class and amount of new shares to be issued to existing shareholders. When a company launches a public issuance of new shares with the approval of the CSRC, a new share offering prospectus and financial report must be published and a subscription form must be prepared.

After the new share issuance of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A balance sheet and a property list shall be prepared for the purpose of the reduction of registered capital of a company.

The company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution regarding the reduction is made. The creditors of the company may require the company to pay its debts or provide guarantees for the debts within 30 days upon receiving such notice or, in the absence of such notice, within 45 day from the date of the relevant announcement.

The company shall register the change for capital reduction with the relevant company registration authority.

Repurchase of Shares

A company may not purchase its own shares other than for one of the following purposes:

- to reduce its registered capital;

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- to merge with another company that holds its shares;
- to grant shares to its employees as incentives; and
- to purchase its own shares from its shareholders who are against the resolution regarding the merger or demerger with another company in a shareholders' general meeting.

Where the company purchases its own shares for the purposes of the first to third items above, it shall obtain approval at the shareholders' general meeting. Following the acquisition of its shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of acquisition in the case of the first circumstance and transferred or cancelled within six months in the case of the second to fourth circumstances above.

Shares acquired by the company for the purpose of the third item under paragraph one of this section shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the profit after tax of the company, and the shares so acquired shall be transferred to the employees of the company within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only affect a transfer of its shares on a stock exchange established in accordance with law or by other ways as required by the State Council.

Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. Under the PRC Company Law, no changes of registration in the share register provided in the foregoing shall be effected during a period of 20 days prior to the convening of the shareholders' general meeting or five days prior to the record date for the purpose of dividend distribution. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within thirty days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions. Where the laws in place have any other provisions on the registration of changes in the share register of listed companies, such provisions shall prevail.

The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Shares held by a promoter may not be transferred within one year from the date of the establishment of a company. Shares of the company issued before the public offering of shares shall not be transferred within one year from the date on which the shares are listed and commenced trading on a stock exchange. Directors, supervisors and senior management of a company shall report to the

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company their shareholdings in the company and changes therein and shall not transfer more than 25% of the total number of shares they held in the company during their terms of office. The shares of the company held by them shall not be transferred within one year from the date on which the shares are listed. They shall not transfer the shares of the company held by them within six months from the date they leave the company. The Articles of Association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the Directors, supervisors and senior management of the company.

Shareholders

A shareholder of a company is a person who lawfully holds shares in the company and whose name (title) is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held by him. Shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations.

The shareholders of ordinary shares of a company shall enjoy the following rights:

- the right to receive dividends and other distributions in proportion to their shareholdings;
- the right to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;
- the right to supervise the company's business operations, present proposals or raise queries;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the Articles of Association;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in proportion with the number of shares held; and
- other rights conferred by laws, administrative regulations and the Articles of Association.

The shareholders of ordinary shares of the company shall assume the following obligations:

- to comply with the Articles of Association;
- to pay subscription money according to the number of shares subscribed and the method of subscription; and
- other obligations imposed by laws, administrative regulations and the Articles of Association.

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Shareholders of the company shall not abuse their shareholders' rights to damage the interests of the company or other shareholders, or to take advantage of the company's independent status or the limited liability of shareholders to damage the interests of the company's creditors.

Derivative Action by Minority Shareholders

The Company Law provides shareholders of a joint-stock limited liability company with the right to take action against directors and supervisors in default. In the event that directors and senior management violate their fiduciary duty to the company, the shareholders individually or jointly holding over 1% of the company shares for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary duty to a company, the aforesaid shareholders may send written request to the Board of Directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the Board of Directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the aforesaid shareholders shall, for the benefit of the company's interests, be entitled to the right to initiate proceedings directly to the court under their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders.

Shareholders' General Meetings

A shareholders' general meeting of a joint-stock limited company is formed by all shareholders. The shareholders' general meeting is the organ of authority of the company and shall exercise the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or replace the Directors and supervisors (who are not staff representatives) and to decide on matters relating to the remuneration of Directors and supervisors;
- to examine and approve reports of the board of Directors;
- to examine and approve reports of the supervisory committee or supervisors;
- to examine and approve the proposed annual financial budget and final accounts of the company;
- to examine and approve the company's proposals for profit distribution and recovery of losses;

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- to decide on any increase or reduction of registered capital of the company;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution, liquidation or change of nature of the company;
- to amend the Articles of Association of the company; and
- other powers as provided for in the Articles of Association.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of Directors is less than the number stipulated by the law or less than two-thirds of the number specified in the Articles of Association;
- the losses of the company which are not recovered reach one third of the total paid-in share capital of the company;
- when shareholders alone or in aggregate holding 10% or more of the total shares of the company request;
- whenever the board of Directors deems necessary;
- when the supervisory committee so requests; or
- other circumstances as provided for in the Articles of Association.

Shareholders' general meetings shall be convened by the board of Directors, and presided over by the chairman of the board of Directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a Director nominated by more than half of Directors shall preside over the meeting. Where the board of Directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for 90 days consecutively may unilaterally convene and preside over such meeting.

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To convene a shareholders' general meeting, a notice of the shareholders' a notice of the shareholders' general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders 15 days prior to the meeting. Notice of the meeting in connection with the issuance of bearer's shares stating the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Shareholders alone or in aggregate holding more than 3% of the total shares of the company may put forward a new proposal in writing to the board of Directors ten days prior to the shareholders' general meeting. The board of Directors shall, within two days after receiving the new proposal, notify other shareholders thereof and submit such proposal to the shareholders' general meeting for consideration. The content of the proposal shall be within the scope of power of the shareholders' general meetings, including a clear subject and specific matters to be resolved. The shareholders' general meeting shall not decide on matters, which are not within its scope of power.

Holders of bearer's share certificates who wish to attend the shareholders' general meeting shall deposit their share certificates with the company five days before the meeting, and such share certificates shall remain in the custody of the company until the close of the shareholders' general meeting.

Shareholders present at a shareholders' general meeting shall have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of the amendments to the Articles of Association, addition or reduction of registered capital, merger, division, dissolution or change of nature of the company, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the Articles of Association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the Directors shall convene a shareholders' general meeting promptly to vote on the above matters.

The accumulative voting system may be adopted pursuant to the provisions of the Articles of Association or a resolution of the shareholders' general meeting for the election of Directors and supervisors at the shareholders' general meeting. For the election of Directors and supervisors at the shareholders' general meeting, each share shall be entitled to votes equivalent to the number of Directors or supervisors to be elected and shareholders may consolidate their voting rights when casting a vote.

A shareholder may appoint proxy to attend the shareholders' general meeting and the proxy shall submit the form of proxy to the company and exercise the voting rights within the scope of authorization. Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the president of the meeting and Directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

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Board of Directors

A joint-stock limited company shall have a board of Directors, which shall consist of 5 to 19 members. Members of the board of Directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The term of a Director shall be stipulated in the Articles of Association, provided that no term of office shall last for more than three years. A Director may serve consecutive terms if re-elected. A Director shall continue to perform his duties in accordance with the laws, administrative regulations and Articles of Association until a re-elected Director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of Directors results in the number of Directors being less than the quorum.

The board of Directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the Directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a Director nominated by more than half of Directors shall perform his duties.

The board of Directors shall be accountable to the shareholders' general meeting and exercises the following powers:

- to convene the shareholders' general meetings and report on its work at the shareholders' general meetings;
- to implement the resolutions passed in the shareholders' general meetings;
- to decide on the business plans and investment proposals of the company;
- to formulate the proposals of the annual financial budget and final accounts of the company;
- to formulate the proposals for profit distribution and recovery of losses of the company;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution or change of nature of the company;
- to decide on the internal management structure of the company;

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- to appoint or dismiss the company's general manager and appoint or dismiss the deputy general managers and financial officers of the company based on the nomination of the general manager and to decide on their remuneration;
- to formulate the company's basic management system; and
- to exercise any other power under the Articles of Association.

Meetings of the board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and supervisors ten days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one third of the Directors or the supervisory committee. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. The board of Directors may provide for a different method of giving notice and notice period for convening an interim board meeting.

Meetings of the board of Directors shall be held only if half or more of the Directors are present. Resolutions of the board of Directors shall be adopted with approval of more than half of all Directors. Each Director shall have 1 vote for resolutions to be approved by the board of Directors.

Directors shall attend board meetings in person. If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf. Minutes shall be prepared in respect of matters considered at the board meeting and the Directors attending the meeting shall sign to endorse such minutes.

Directors shall be accountable to the resolutions of the board of Directors. If a resolution of the board of Directors violates the law, administrative regulations or the Articles of Association of the company, and as a result of which the company sustains serious losses, the Directors participating in the resolution are liable to compensate the company. However, if it can be proved that a Director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such Director may be relieved from that liability.

Supervisory Committee

A joint-stock limited company shall have a supervisory committee composed of not less than 3 members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, provided that the proportion of representatives of the company's staff shall not be less than one-third. The actual proportion shall be stipulated in the Articles of Association. Representatives of the company's staff and workers on the supervisory committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management may not act concurrently as supervisors.

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The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated laws, regulations, the Articles of Association or shareholders' resolution;
- when the acts of Directors and senior management are harmful to the company's interests, to require correction of these acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' meetings when the board of Directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to make proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against Directors and senior management pursuant to Article 151 of the Company Law; and
- other powers specified in the Articles of Association.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

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Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. Resolutions of the supervisory committee require the approval of more than half of all supervisors. Each Director shall have 1 vote for resolutions to be approved by the board of supervisors. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and the supervisors attending the meeting shall sign to endorse such minutes.

Senior Management

Senior management shall mean the manager, deputy manager(s), financial controller, board secretaries of a listed company and other personnel as stipulated in the Articles of Association. A joint-stock limited company shall have a manager who shall be appointed or removed by the board of Directors. The manager shall report to the board of Directors and may exercise the following powers:

A joint-stock limited company shall have a manager who shall be appointed or removed by the board of Directors. The manager shall report to the board of Directors and may exercise the following powers:

- to supervise the production, operation and administration of the company and arrange for the implementation of board resolutions;
- to arrange for the implementation of the company's annual business and investment plans;
- to formulate plans for the establishment of the company's internal management structure;
- to formulate the basic administration system of the company;
- to formulate the company's internal rules;
- to recommend the appointment of or dismissal of deputy managers and any financial controller;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of Directors); and
- other powers conferred by the board of Directors.

Other provisions of the Articles of Association concerning the general manager's powers shall also be complied with. The general manager shall be in attendance at board meetings.

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Eligibility and Obligations of Directors, Supervisors and Senior Management

The following persons may not serve as a Director, supervisor or senior management of a company:

- persons without civil capacity or with restricted civil capacity;
- persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former Directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of laws and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and
- persons who have a relatively large amount of debts due and outstanding.

The Directors, supervisors and senior management shall comply with the laws, administrative regulations and the Articles of Association of the company and shall faithfully perform their due diligence obligations to the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

- misappropriation of company funds;
- deposit of company funds into accounts under their own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the Articles of Association or without prior approval of the shareholders' general meeting or board of Directors;
- entering into contracts or deals with the company in violation of the Articles of Association or without prior approval of the shareholders' general meeting or board of Directors;

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- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accepting for their own benefit commissions from other parties dealing with the company;
- unauthorized divulgence of confidential information of the company; or
- other acts in violation of their duty of loyalty to the company.

Any Director, supervisor or senior management who violates any laws, administrative regulation or the Articles of Association of the company during the course of performing his duties and causes losses to the company shall be liable to compensate for any loss caused to the company. Where a Director or senior management violates any provisions of the laws, administrative regulations or the Articles of Association of the company which undermines the shareholders' interests, the shareholders shall be entitled to commence proceedings with the People's Court.

Where the attendance of a Director, supervisor or senior management is requested by the shareholders' meeting or shareholders' general meeting, such Director, supervisor or senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory committee or the supervisor (for companies with limited liability that do not have supervisory committees) without obstructing the discharge of duties by the supervisory committee or the supervisors.

A company shall not directly, or through its subsidiary, provide loans to any Director, supervisor or senior management and shall regularly disclose to shareholders any information regarding remunerations received by the Directors, supervisors or senior management of the company.

Finance and Accounting Systems and Profit Distribution

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible finance department of the State Council and at the end of each fiscal year prepare a financial report which shall be audited by an accountant as provided by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the finance department of the State Council.

A joint-stock limited company shall deposit its financial statements at the company for inspection by the shareholders at least twenty days before the convening of an annual general meeting of shareholders. A joint-stock limited company issuing its shares in public must publish its financial statements.

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When distributing each year's after-tax profits, the company shall set aside 10% of its profits for the company's statutory common reserve fund, except where the fund has reached over 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocating such profits to the statutory common reserve fund in accordance with the above provisions. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund.

After the joint-stock limited company has made good on its losses and made allocations to its common reserve fund, the remaining after-tax profits shall be distributed in proportion to the number of shares held by the shareholders, except when the Articles of Association provide not to distribute in proportion to their shareholding. Profit distributed to shareholders by the shareholders' general meeting or the board of Directors before losses have been made good and appropriations have been made to the statutory common reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the shares of a joint-stock limited company on issue and other incomes required by the finance department of the State Council to be treated as the capital common reserve shall be accounted for as capital common reserve of the company. The common reserve shall be applied to make up the company's losses, expand the production and business operations of the company or increase the company's capital. Nonetheless, the capital common reserve shall not be used to make good the company's losses. Upon the conversion of statutory common reserve into capital, the balance of the common reserve shall not be less than 25% of the registered capital of the company before such conversion.

The appointment or dismissal of accountants responsible for the company's auditing shall be determined by the shareholders' general meeting or the board of Directors in accordance with the Articles of Association. The accountant shall be allowed to make representations when the shareholders' meeting, the shareholders' general meeting or board of Directors of the company is going to conduct a poll on the dismissal of the accountant. The company shall provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant engaged without any refusal, withholding and false information. The accountant's term of office shall commence from the end of the annual general meeting of the company and it shall expire on the end of the next annual general meeting of the company.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

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Merger and Division

The merger of a company may be conducted by way of absorption or consolidation. As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within 45 days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Dissolve and Liquidation

A company shall be dissolved by reason of the following:

- the term of its operations set down in the company's Articles of Association has expired or other events of dissolution specified in the company's Articles of Association have occurred;
- the shareholders' meeting or the shareholders' general meeting has resolved to dissolve the company;
- the company is dissolved by reason of its merger or demerger;
- the business license is invalidated; the company is closed down, or is dissolved as ordered; or
- the company is dissolved by the People's Court in response to the request of shareholders with shareholding representing more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a source of significant losses for shareholders.

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In the event of the first circumstance above, the company may carry on its existence by amending its Articles of Association. Where the company is dissolved in the first, second, fourth and fifth circumstances above, a liquidation committee shall be established and shall conduct liquidation within 15 days after the occurrence of an event of dissolution. Members of the liquidation committee of a joint-stock limited company shall be composed of its Directors or the person approved by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court, requesting the court to appoint relevant personnel to form the liquidation committee. The People's Court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors or issue public notices;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation committee shall notify the creditors within ten days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge its claim with the liquidation committee within thirty days after receiving notification, or within 45 days of the public notice if it did not receive any notification. A creditor shall state all matters relevant to its creditor rights in making its claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or People's Court for endorsement. The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to shareholding proportion in the case of joint-stock limited companies. The company shall continue to exist during the liquidation period, although it shall not engage in any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment is made in accordance to the foregoing provisions.

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If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the People's Court for a declaration for bankruptcy according to laws. Following such declaration, the liquidation committee shall hand over the affairs of the liquidation to the People's Court. Upon completion of the liquidation, the liquidation committee shall prepare and submit a liquidation report at the shareholders' general meeting or to the People's Court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

SECURITIES LAW AND REGULATIONS AND REGULATORY REGIMES

The CSRC is currently responsible for coordinating the drafting of relevant laws and regulations on securities and securities market, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising securities companies, regulating the domestic and overseas public issuance of securities by PRC companies, supervising securities trading, compiling securities-related statistics and conducting research and analysis.

On 29 December 1998, the SCNPC promulgated the Securities Law of PRC (《中華人民共和國證券法》) (the “**Securities Law**”) which came into effect on 1 July 1999. This is the fundamental law comprehensively regulating activities in PRC securities market. The Securities Law was amended on 29 June 2013 and 31 August 2014. The Securities Law is applicable to the issuance and trading of shares, company bonds and other securities designated by the State Council in the PRC, and contains provisions of the issuance and transaction of securities, acquisitions of listed companies, and the duties and responsibilities of stock exchanges, security companies and the CSRC.

ARBITRATION LAW

According to the Arbitration Law of PRC (《中華人民共和國仲裁法》) which was approved by the SCNPC on 31 August 1994, amended on 27 August 2009 and came into effect on 1 September 1995, any disputes over contracts and other interests among citizens, legal persons and other organizations with equal status may be settled by arbitration. Both parties shall reach an arbitration agreement voluntarily in order to settle the dispute through arbitration. The arbitration commission shall not accept any application for arbitration from a single party without arbitration agreement. The People's Court shall not accept filing of suit from a single party with arbitration agreement, except for invalid arbitration agreement. The award of arbitration shall be final and conclusive. Neither the arbitration commission nor the People's Court shall accept any application of arbitration or filing of suit in relation to the same dispute once the award had been made. If the award is revoked or refused execution by the People's Court, the parties may apply for arbitration in accordance with a new mutual arbitration agreement or file a suit at the People's Court.

Pursuant to Hong Kong Listing Rules and Mandatory Provisions, the articles of association of a PRC company listed in Hong Kong shall contain provisions in relation to arbitration. Disputes in respect of business affairs and rights between overseas listed foreign shareholders and the company,

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overseas listed foreign shareholders and the Directors, supervisors or senior management of the company, and overseas listed foreign shareholders and other shareholders, shall be settled by arbitration. Applicant may determine to refer the arbitration to China International Economic and Trade Arbitration Commission according to its arbitration rules or Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the applicant refers a dispute or claim to arbitration, the other party must submit to the arbitral body determined by the applicant. If the applicant determines to arbitrate at Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of Hong Kong International Arbitration Centre.

In the 18th meeting of the 6th SCNPC on 2 December 1986, China agreed to enter into the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) signed on 10 June 1958 at the United Nations conference on international commercial arbitration. According to the New York Convention, any party shall recognize and enforce arbitral awards of other parties with certain reciprocity reservation. Upon entering into the convention, SCNPC stated that China only recognized and enforced arbitral awards from overseas on a mutual beneficial basis, and the New York Convention shall be applicable only to any dispute over contractual and non-contractual business laws under the laws of PRC.

According to the Arrangement Concerning Mutual Enforcement of Arbitral Awards Between the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) which was promulgated by the Supreme People’s Court on 18 June 1999 and came into effect on 1 February 2000, the Courts in Hong Kong agree to enforce any awards made by the arbitral authorities in PRC pursuant to the Arbitration Law of the PRC, while the People’s Courts in PRC agree to enforce any awards made pursuant to the Arbitration Ordinance of Hong Kong in Hong Kong.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

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Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance (《公司條例(香港)》), the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The latest amended PRC Company Law removed the general provisions on statutory minimum registered capital, except that laws, administrative regulations and the State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital in which case the company should follow such provisions.

Share Capital

Under the new Companies Ordinance, the concept of the nominal value of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after 3 March 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares.

The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB 30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisal must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

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Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. In addition, pursuant to the “Announcement on Launching the Pilot Shanghai-Hong Kong Stock Connect” (《關於開展滬港股票市場交易互聯互通機制試點的公告》) (“**Shanghai-Hong Kong Stock Connect Notice**”), qualified PRC investors could buy specified overseas listed shares through systems such as Shanghai-Hong Kong Stock Connect.

Under the Company Law, shares in a joint stock limited liability company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company’s public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares held by them, and the shares of the company held by such person cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company’s issue of shares and the 12-month lockup on controlling shareholders’ disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance for acquisition of shares similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix III to this prospectus.

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Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Committee

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under

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urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been

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received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Information Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexure 20 days before its shareholders' annual general meeting. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial position.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC General Accepted Accounting Principles as known as the Accounting Standards for Business Enterprises (《企業會計準則》) (the "ASBE").

The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC ASBE, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the material differences (if any) from the financial statements prepared in accordance with the PRC ASBE.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

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Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (《香港受托人條例》) (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of overseas listed foreign shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change the form of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors and supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

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Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the GEM Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

OVERVIEW

The following is a summary of certain PRC tax consequences on investors relating to the ownership of H shares by an investor who purchases such H Shares in the Share Offer and holds the H shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This appendix does not address any aspect of the PRC or taxation other than income tax, capital tax, business tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC and other tax consequences of investing in H Shares.

TAXATION IN THE PRC**Taxation on Dividends***Individual investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (“**IIT Law**”), as amended, and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty.

Enterprises

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“**EIT Law**”), as amended, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both effective on 1 January 2008, a PRC resident enterprise is generally subject to a 25% EIT on all incomes. According to the EIT Law and its implementing rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the EIT and dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號) (Guo Shui Han[2008] No.897) issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares which are derived out of profit generated since

1 January 2008. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the *Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes* (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) signed on 21 August 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company.

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to preferential treatment of the withholding tax imposed on dividends received by such investors from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement must apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate, subject to the approval of the PRC tax authorities.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the *Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares* (《個人轉讓股票所得繼續暫免徵收個人所得稅》財稅字[1998]61號) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on 30 March 1998, effective from 1 January 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. After the latest amendment to the IIT Law on 30 June 2011 and its implementing rules amended on 19 July 2011 and implemented on 1 September 2011, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the *Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation* (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》財稅[2009]167號) (Cai Shui [2009] No. 167), which provides that individuals’ income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for shares of certain specified companies which are subject to sales

limitations (as defined in the supplementary notice of such Circular issued on 10 November 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that IIT shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change the practice which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H shares.

Enterprises

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC stamp duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on 8 January 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》), effective on 1 October 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

PRC Legacy duty

The PRC currently does not impose any legacy duty.

Major Taxes on the company in the PRC

Enterprise Income tax

According to the EIT Law, enterprises and other organizations generating income within the territory of the PRC are subject to enterprise income tax at the rate of 25%.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the Stated Council of the PRC on 13 December 1993 and subsequently amended on 10 November 2008, and became effective on 1 January 2009 and amended on 6 February 2016 and its implementing rules (《中華人民共和國增值稅暫行條例實施細則》) promulgated by

Ministry Of Finance (the “MOF”) on 25 December 1993 and amended by the MOF and the State Administration of Taxation (the “SAT”) on 15 December 2008 and 28 October 2011 respectively, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the “VAT”) at the tax rate of 13% or 17%. Taxpayers engaged in provision of processing, repairing and replacement services shall pay VAT at the tax rate of 17%. Unless otherwise provided by the State Council, the tax rate of VAT shall be zero on goods exported by taxpayers.

On 12 December 2013, the Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2013] No.106) (《國家稅務總局關於將鐵路運輸和郵政業納入營業稅改征增值稅試點的通知》財稅[2013]106號) (the “Circular”) was jointly promulgated by the MOF and the SAT. The Circular came into effect on 1 January 2014. According to the Appendix 1 to the Circular, namely the Implementing Measures on Pilot Collection of Value-added Tax in Lieu of Business Tax, entities and individuals providing tangible assets leasing service within the PRC shall pay VAT at a rate of 17% and those providing consultation services shall pay VAT at a rate of 6%. Under Appendix 3: Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in lieu of Business Tax, where general taxpayers with the registered capital reaching RMB170 million among the pilot taxpayers that approve by the People’s Bank of China (the “PBOC”), China Banking Regulatory Commission (the “CBRC”), or the MOFCOM to engage in finance leasing service further provide tangible asset finance leasing services, the actual VAT part of whichever rate more than 3% shall be immediately refunded upon collection. The Circular was replaced by the *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2016] No.36, the “Circular 36”) (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知(財稅[2016] 36號)) on 1 May 2016. The Group is subject to value-added tax and entitled to be immediately refunded upon collection according to the “Circular 36”.

Business tax

Pursuant to the *Interim Regulations on Business Tax of the PRC* (中華人民共和國營業稅暫行條例) promulgated by the State Council on 13 December 1993, amended on 5 November 2008 and taking effect on 1 January 2009 and its implementation rules, it is generally provided that entities or individuals engaged in the provision of taxable services, the transfer of intangible assets or the sale of immovable properties in the PRC shall pay business tax. The rate of business tax applicable to commercial factoring is 5%.

The *Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) was jointly promulgated by the MOF and the SAT on 23 March 2016.

Upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the

life service industry shall be included in the scope of the pilot program with regard to payment of VAT in lieu of business tax. The tax rate applicable to tangible assets leasing service is 17%; the tax rate applicable to interest derived from financial sale-leaseback and interest income is 6%; the tax rate applicable to consultation services is 6%; the tax rate applicable to commercial factoring is 6%.

ADMINISTRATION OF FOREIGN EXCHANGE IN THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorisation of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the *Regulations of the People's Republic of China for the Administration of Foreign Exchange* (《中華人民共和國外匯管理條例》) ("**Foreign Exchange Administrative Regulations**") which became effective from 1 April 1996. The Foreign Exchange Administrative Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The latest amended (on 5 August 2008) Foreign Exchange Administrative Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) ("**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On 25 October 1998, the PBOC and the SAFE jointly promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知), pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On 21 July 2005, the PBOC announced that, effective on the same date, the PRC would implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

On 5 August 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Revised Foreign Exchange Control

Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administration authorities. Second, the Revised Foreign Exchange Control Regulations improved the mechanism for determining the Renminbi exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.

Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current account transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated foreign exchange banks and can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

SAFE Circular 54

According to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014]No.54, the “**Circular 54**”) (《關於境外上市外匯管理有關問題的通知》匯發[2014]54號) issued by SAFE on 26 December 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares of the listed company shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides within 20 working days before the increase and reduction of shares with related materials.

A domestic issuer (except for bank financial institutions) shall present his certificate of overseas listing to open a special account with a local bank for overseas listing of local enterprises to handle

corresponding capital exchange and transfer for its business for its initial offer (or enhancement) or repurchase. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents.

SAFE Circular 13

On 13 February 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which came into effect on 1 June 2015. The Circular 13 cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. Furthermore, according to the Circular 13, new overseas enterprises established or controlled by overseas enterprises established or controlled by domestic investors through re-investment are not required to go through the foreign exchange filing procedures.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Establishment of our Company**

Our predecessor Fullin was established in the PRC as a sino-foreign equity joint venture enterprise on 7 December 2012 and was converted to a joint stock company with limited liability under the Company Law on 10 September 2015. Our Company has established a place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 22 September 2016. Ms. Ng Wing Shan has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association and a summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

Our predecessor, Fullin, was established in the PRC on 7 December 2012 with a registered capital of RMB100,000,000, which was fully paid up.

On 31 March 2014, the registered capital of Fullin was increased from RMB100,000,000 to RMB200,000,000.

At the time when Fullin was converted into a joint stock limited company on 10 September 2015, it had an initial registered share capital of RMB200,000,000, divided into 200,000,000 Shares with nominal value of RMB1.00 each, comprising 60,000,000 Domestic Shares and 140,000,000 Unlisted Foreign Shares.

On 10 October 2015, the registered capital of our Company was increased from RMB200,000,000 to RMB269,500,000.

As at the Latest Practicable Date, the registered share capital of our Company was RMB269,500,000 divided into 269,500,000 Shares with a nominal value of RMB1.00 each, comprising 120,000,000 Domestic Shares and 149,500,000 Unlisted Foreign Shares.

Assuming the Offer Size Adjustment Option is not exercised, upon completion of the Share Offer, our registered capital will be increased to RMB359,340,000, made up of 120,000,000 Domestic Shares, 149,500,000 Unlisted Foreign Shares and 89,840,000 H Shares fully paid up or credited as fully paid up, representing approximately 33.40%, 41.60% and 25% of our registered share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of Share Repurchase

For details of the restrictions on the share repurchase by our Company, see “Summary of the Constitution of the Company and the PRC Company Law” in Appendix III to this prospectus.

4. Resolutions of our Shareholders passed at our Company’s extraordinary general meeting held on 9 June 2016

At an extraordinary general meeting of our Company held on 9 June 2016, among other things, the following resolutions were passed by our Shareholders:

- (a) the issue of such number of H Shares which shall be not less than 25% but not exceeding 30% of the total number of Shares in issue as enlarged by the issue of H Shares with a nominal value of RMB1.00 each and the proposal of listing of H Shares on the Stock Exchange be and was thereby approved;
- (b) the Board be and was thereby authorized to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

5. Changes in the registered capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business of any member of our Group) within the two years preceding the date of this prospectus that are or may be material:







- (a) an equity transfer agreement dated 5 June 2015 entered into among Dayuan Tiandi, Shanshan and Longyou Baosheng as transferors and Fullin as transferee regarding the transfer of 20%, 19% and 10% equity interest in Fullin Factoring from Dayuan Tiandi, Shanshan and Longyou Baosheng to Fullin at a consideration of RMB13,500,000, RMB12,825,000 and RMB6,750,000, respectively;










- (b) a share subscription agreement dated 28 September 2015 entered into between Dayuan Tiandi and our Company regarding the subscription of 55,000,000 shares of our Company by Dayuan Tiandi at a subscription price of RMB74,250,000;
- (c) a share subscription agreement dated 28 September 2015 entered into between Shanshan HK and our Company regarding the subscription of 9,500,000 shares of our Company by Shanshan HK at a subscription price of RMB12,825,000;
- (d) a share subscription agreement dated 28 September 2015 entered into between Longyou Baosheng and our Company regarding the subscription of 5,000,000 shares of our Company by Longyou Baosheng at a subscription price of RMB6,750,000;
- (e) the Deed of Indemnity;
- (f) the Non-Competition Agreements; and
- (g) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(a) *Trademarks*

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	20471581	7	Our Company	PRC	29 June 2016
	20471453	9	Our Company	PRC	29 June 2016
	20471558	10	Our Company	PRC	29 June 2016
	20471489	11	Our Company	PRC	29 June 2016
	20471433	12	Our Company	PRC	29 June 2016
	20471539	16	Our Company	PRC	29 June 2016

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	20471511	31	Our Company	PRC	29 June 2016
	20471423	35	Our Company	PRC	29 June 2016
	20471530	36	Our Company	PRC	29 June 2016
	20471497	39	Our Company	PRC	29 June 2016
	20471417	41	Our Company	PRC	29 June 2016
	20471520	42	Our Company	PRC	29 June 2016
	20471513	44	Our Company	PRC	29 June 2016
	20471434	45	Our Company	PRC	29 June 2016
	303864600	7, 9, 10, 11, 12, 16, 31, 35, 36, 39, 41, 42, 44, 45	Our Company	Hong Kong	10 August 2016

(b) *Domain name*

As at the Latest Practicable Date, our Company was the registered proprietor of the following domain name which, in the opinion of our Directors, are material to our business:

Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
fyleasing.com.cn	Our Company	18 January 2013	18 January 2018
fyleasing.cn	Our Company	18 January 2013	18 January 2018
fyleasing.org	Our Company	18 January 2013	18 January 2018
fyleasing.net	Our Company	18 January 2013	18 January 2018
fyleasing.com	Our Company	18 January 2013	18 January 2019
fyfinancial.cn	Our Company	21 December 2016	21 December 2019
fyfinancial.com.cn	Our Company	21 December 2016	21 December 2019
fyfinancial.net	Our Company	21 December 2016	21 December 2019
fyfinancial.org	Our Company	21 December 2016	21 December 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations*

Immediately following completion of the Share Offer (assuming that the Offer Size Adjustment Option is not exercised), none of our Directors and chief executive of our Company have any interests and short positions in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to Rule 352 of the SFO, to be entered in the register referred to therein or will be required pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to our Company and the Stock Exchange once the Shares are listed.

(b) *Substantial Shareholders*

So far as is known to our Directors, immediately prior to and following the completion of the Share Offer (taking no account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), the following persons, (not being the Directors, Supervisors or chief executive of our Company) have interests and/or short positions in the Shares or the underlying Shares which fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

Name of Shareholder	Nature of Interest	Shares held in the relevant class of Shares immediately following the completion of Share Offer		Shares held in the total share capital of the Company immediately following the completion of the Share Offer	
		Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Shanshan HK ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Beneficial owner	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
Shanshan ⁽²⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Shanshan Group ⁽³⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Ningbo Yonggang ⁽⁴⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Shanshan Holding ⁽⁵⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Name of Shareholder	Nature of Interest	Shares held in the relevant class of Shares immediately following the completion of Share Offer		Shares held in the total share capital of the Company immediately following the completion of the Share Offer	
		Number ⁽¹⁾	Percentage (approx.)	Number ⁽¹⁾	Percentage (approx.)
Qinggang Investment ⁽⁶⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Mr. Zheng ⁽⁷⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Ms. Zhou ⁽⁷⁾	Interest of a controlled corporation	149,500,000 Unlisted Foreign Shares(L)	100%	149,500,000 Unlisted Foreign Shares(L)	41.60%
	Interest of a controlled corporation	2,000,000 Domestic Shares (L)	1.67%	2,000,000 Domestic Shares (L)	0.55%
Dayuan Tiandi ⁽⁸⁾	Beneficial owner	80,000,000 Domestic Shares(L)	66.67%	80,000,000 Domestic Shares(L)	22.26%
Mr. Zhao Dehua (趙得驊) ⁽⁸⁾	Interest of a controlled corporation	80,000,000 Domestic Shares(L)	66.67%	80,000,000 Domestic Shares(L)	22.26%
Mr. Gong Liang (貢亮) ⁽⁸⁾	Interest of a controlled corporation	80,000,000 Domestic Shares(L)	66.67%	80,000,000 Domestic Shares(L)	22.26%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884) and is the sole shareholder of Shanshan HK. Shanshan is also indirectly interested in 80% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which is the general partner of Nantong Shanshan. By virtue of the SFO, Shanshan is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (3) Shanshan Group holds 23.79% of the registered share capital of, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (4) Ningbo Yonggang is interested in 62.96% of the registered capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (5) Shanshan Holding directly holds approximately 16.09% of the registered share capital of Shanshan and indirectly holds approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holdings is interested in 96.93% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 17.14% and indirectly holds 62.96% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (6) Qinggang Investment owns approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.

- (7) Qinggang Investment is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, Mr. Zheng and Ms. Zhou are deemed to be interested in the Shares held by Shanshan HK and Nantong Shanshan.
- (8) Dayuan Tianyi is owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang are deemed to be interested in the Shares held by Dayuan Tiandi.

2. Further Information about our Directors and Supervisors

(a) *Particulars of Directors' and Supervisors' Service Contracts*

Each of the Directors and Supervisors entered into a service contract with our Company on 25 April 2017. The principal particulars of these service contracts comprise, among others, a term of three years commencing from the date on which their respective appointments were approved by our Shareholders, subject to termination in accordance with the terms of their respective service contract. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have any service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) *Others*

- (i) None of the Directors, Supervisors, or any past Directors of any members of our Group has been paid any sum of money for each of the three years ended 31 December 2014, 2015 and 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (ii) None of our Directors waived any remuneration for each of the three years ended 31 December 2014, 2015 and 2016.
- (iii) None of the Directors or Supervisor has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Agency Fees or Commissions Received

Save as disclosed in this prospectus, none of the Directors, Supervisors or any of the persons whose names are listed under “Other Information — Consents of Experts” in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Directors' and Supervisors' Remuneration

For each of the three years ended 31 December 2014, 2015 and 2016, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our Directors and Supervisors were approximately RMB341,290, RMB543,609 and RMB1,483,788, respectively.

Under the current arrangements, our Directors and Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2017 under arrangement in force as of the date of this prospectus which is expected to be approximately RMB2,046,243 in aggregate.

5. Disclaimers

Save as disclosed in this prospectus:

- (i) none of the Directors, Supervisors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, in each case once our H Shares are listed;
- (ii) none of our Directors or Supervisors nor any of the experts referred to in "Other Information — Consents of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (iv) save for the Underwriting Agreements, none of the parties listed in "Other Information — Consents of Experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

- (v) so far as is known to our Directors, none of the Directors, Supervisors, their respective close associates or Shareholders (who is interested in more than 5% of the issued share capital of our Company) has any interests in any of our top five suppliers and top five customers; and
- (vi) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

D. OTHER INFORMATION

1. Estate Duty, Tax and Indemnities

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of Material Contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profit or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

The Deed of Indemnity also contains, amongst other things, indemnities given by our Controlling Shareholders in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Group may be subject on or before the Listing Date.

2. Litigation

Save as disclosed in this prospectus, as at the Latest Practicable Date, we were not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the H Shares to be issued pursuant to the Share Offer.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor’s fees are HK\$4,000,000 and are payable by our Company.

4. Preliminary Expenses

Our Company has not incurred any preliminary expenses.

5. Promoters

The Promoters of our Company are set out below:

No.	Name of Promoters
1.	Shanshan HK
2.	Dayuan Tiandi
3.	Zhonglian Jinkong
4.	Nantong Shanshan
5.	Shanlian Chuangtou
6.	Shanmeng Chuangtou
7.	Yuying Ziguan
8.	Shequn No.1
9.	Shequn No.2

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any Promoters in connection with the Share Offer and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Dongxing Securities (Hong Kong) Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Shu Jin Law Firm	Legal advisers as to PRC law
China Insights Consultancy Limited	Industry consultant

7. Consents of Experts

Each of the experts named in paragraph 6 of this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the persons named in paragraph 6 of this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Compliance Adviser

Our Company has appointed Dongxing Securities (Hong Kong) Company Limited as our compliance adviser in compliance with Rule 6A.19 of the GEM Listing Rules.

10. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. No Material Adverse Change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016 (being the date to which the latest audited financial information of our Company were made up).

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that save as disclosed in the prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date up to which the latest audited consolidated financial statements of our Group were prepared); and there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Save as disclosed in the prospectus, our Company has no outstanding convertible debt securities or debentures.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

- (g) Save as disclosed in the prospectus, none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (h) There is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture.

14. Bilingual Prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) the written consents referred to in “Statutory and General Information — Other Information — Consents of Experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information — Further Information About Our Business — Summary of Material Contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report from BDO Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2014, 2015 and 2016;
- (e) the material contracts referred to in “Statutory and General Information — Further Information about Our Business — Summary of Material Contracts” in Appendix V to this prospectus;
- (f) the service contracts, referred to in “Statutory and General Information — Further Information about Our Directors and Supervisors — Particulars of Directors’ and Supervisors’ Service Contracts” in Appendix V to this prospectus;
- (g) the legal opinions issued by Shu Jin Law Firm, our PRC legal advisors in respect of our Group’s business operations and property interests in the PRC;

- (h) the written consents referred to in “Statutory and General Information — Other Information — Consents of Experts” in Appendix V to this prospectus;
- (i) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translation; and
- (j) the report issued by China Insights Consultancy Limited.

富銀融資租賃(深圳)股份有限公司
FY Financial (Shenzhen) Co., Ltd.