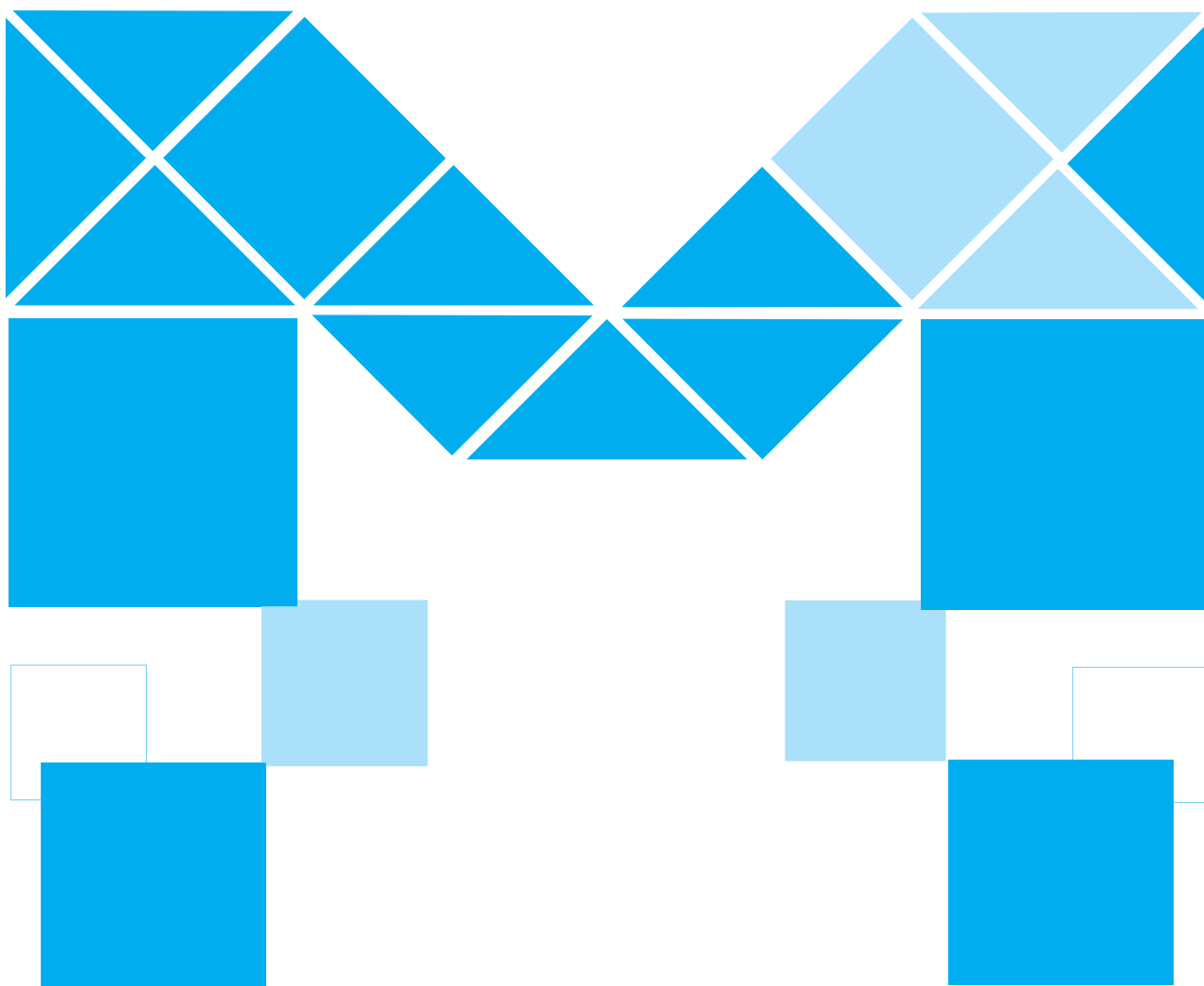




METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8621



BY WAY OF SHARE OFFER

Sole Sponsor



Lead Manager and Sole Bookrunner



英皇證券(香港)有限公司
Emperor Securities Limited

Co-Lead Manager



SUCCESS SECURITIES LIMITED
實德證券有限公司

IMPORTANT

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



METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 200,000,000 Shares
Number of Placing Shares : 180,000,000 Shares (subject to reallocation)
Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.50 per Offer Share
and expected to be not less than
HK\$0.39 per Offer Share (payable in
full on application in Hong Kong dollar
and subject to refund) plus brokerage of
1%, SFC transaction levy of 0.0027%
and Stock Exchange trading fee of
0.005%
Nominal value : HK\$0.01 per Share
Stock code : 8621

Sole Sponsor



Lead Manager and Sole Bookrunner



英皇證券(香港)有限公司
Emperor Securities Limited

Co-Lead Manager



SUCCESS SECURITIES LIMITED
實德證券有限公司

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, with the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between Emperor Securities (for itself and on behalf of the Underwriters) and our Company on or about the Price Determination Date. The Offer Price will not be more than HK\$0.50 per Offer Share and expected to be not less than HK\$0.39 per Offer Share. Applicants under the Share Offer are required to pay, on application, the maximum Offer Price of HK\$0.50 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$0.50 per Offer Share.

If, for any reason, our Company and Emperor Securities (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by 6 December 2018, the Share Offer will not proceed and will lapse.

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

Prospective investors of the Offer Shares should note that the obligations of the Underwriters under the Underwriting Agreement are subject to termination by the Emperor Securities (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting arrangements and expenses – Grounds for termination" in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

30 November 2018

CHARACTERISTICS OF GEM

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

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

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⁽¹⁾

Latest time to complete electronic applications under
the **HK eIPO White Form** service through the
designated website at **www.hkeipo.hk**⁽²⁾11:30 a.m. on
Wednesday, 5 December 2018

Application lists open⁽³⁾11:45 a.m. on
Wednesday, 5 December 2018

Latest time to lodge **WHITE** and **YELLOW**
Application Forms and giving **electronic application**
instructions to HKSCC⁽⁴⁾12:00 noon on
Wednesday, 5 December 2018

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
Wednesday, 5 December 2018

Application lists close⁽³⁾12:00 noon on
Wednesday, 5 December 2018

Expected Price Determination Date⁽⁵⁾Wednesday, 5 December 2018

Announcement of the final Offer Price, the level of
indications of interest in the Placing, the level of
applications in the Public Offer and the basis of
allocation of the Public Offer Shares to be published on
our Company's website at
http://www.metropolis-leasing.com⁽⁶⁾ and
the website of the Stock Exchange at
www.hkexnews.hk onTuesday, 11 December 2018

Results of allocations in the Public Offer (with successful
applicants' identification document or business registration
numbers, where appropriate) to be available through a
variety of channels as described in the section headed
"How to apply for Public Offer Shares" in this
prospectus fromTuesday, 11 December 2018

Results of allocations in the Public Offer will be available
at **www.tricor.com.hk/ipo/result** with a "search by ID"
function fromTuesday, 11 December 2018

EXPECTED TIMETABLE⁽¹⁾

Despatch/collection of Share certificates or deposit of the
Share certificates into CCASS in respect of wholly
or partially successful applications pursuant to the
Public Offer on or before⁽⁷⁾Tuesday, 11 December 2018

Despatch/collection of refund cheques and **HK eIPO**
White Form e-Auto Refund payment instructions
in respect of wholly or partially successful
applications (if applicable) or wholly or partially
unsuccessful applications pursuant to the Public Offer
on or before⁽⁸⁾Tuesday, 11 December 2018

Dealings in the Shares on GEM expected
to commence at 9:00 a.m. onWednesday, 12 December 2018

Notes:

- (1) All dates and times refer to Hong Kong dates and times. 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 to the **HK eIPO White Form** Service Provider 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 a payment 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 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 Wednesday, 5 December 2018, the application lists will not open or close on that day. Please refer to the paragraph headed “10. Effect of bad weather on the opening of the application lists” under the section headed “How to apply for Public Offer Shares” in this prospectus.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph “6. Applying by giving electronic application instructions to HKSCC via CCASS” in the section headed “How to apply for Public Offer Shares” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, 5 December 2018. If, for any reason, our Company and Emperor Securities (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 6 December 2018, the Share Offer will not proceed and will lapse.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) Applicants who apply for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) from our Hong Kong Branch 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 Tuesday, 11 December 2018 or any other date as notified by us.

Applicants being individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by sending 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 Branch Share Registrar. Applicants who apply for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all required information may collect their refund cheques, if any, in person but may not collect their share certificates personally, which will be deposited into CCASS for credit to your or the designated CCASS Participants’ stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

Uncollected share certificates and refund cheques, if any, will be despatched by ordinary post to the addresses specified in the relevant Application Form at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

Applicants who apply through **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Public Offer, and the procedures for application for the Public Offer Shares.

CONTENTS

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 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 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.metropolis-leasing.com** which is the official website of our Company do not form part of this prospectus.*

Characteristics of GEM	i
Expected timetable	ii
Contents	v
Summary	1
Definitions	16
Glossary	26
Forward-looking statements	27
Risk factors	28
Information about this prospectus and the Share Offer	46
Waiver and exemption from compliance with the GEM Listing Rules	51
Directors and parties involved in the Share Offer	52

CONTENTS

Corporate information	56
Industry overview	58
Regulations	69
History, reorganisation and corporate structure	82
Business	88
Risk management	139
Relationship with Controlling Shareholders	161
Connected transactions	169
Directors and senior management	174
Share capital	186
Substantial shareholders	189
Financial information	190
Future plans and use of proceeds	275
Underwriting	278
Structure and conditions of the Share Offer	286
How to apply for Public Offer Shares	293
 Appendices	
Appendix I: Accountants' report	I-1
Appendix II: Unaudited pro forma financial information	II-1
Appendix III: Summary of the constitution of our Company and Cayman Islands Company Law	III-1
Appendix IV: Statutory and general information	IV-1
Appendix V: Documents delivered to the Registrar of Companies and available for inspection	V-1

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 the sections headed “Definitions” and “Glossary” in this prospectus, respectively.

We are a well-established finance leasing company in the PRC focusing on vehicle finance leasing. We primarily provide customised vehicle finance leasing to our customers. Headquartered in Shanghai, we had five branch offices in the PRC as at the Latest Practicable Date which are situated in Jiangsu province, Shandong province, Guizhou province, Jiangxi province and Shanghai municipality. Prior to the Track Record Period, we also provided machinery and equipment finance leasing to corporate customers. In light of the growth potential which we saw in the vehicle finance leasing market, we have strategically devoted more of our resources to develop vehicle finance leasing business. During the Track Record Period, other than the elevator finance lease agreements with Xin You which are due to expire by 2020, we have not entered into any new machinery and equipment finance leasing agreements despite we continue to receive lease receivables under the machinery and equipment finance leasing agreements entered into prior to the Track Record Period.

The following table sets forth a breakdown of our revenue type for the period indicated:

	Year ended 31 December		Six months ended 30 June	
	2016 RMB	2017 RMB	2017 RMB (unaudited)	2018 RMB
Finance lease income				
<i>Vehicle finance leasing</i>				
Direct finance leasing	1,359,918	913,031	508,053	285,675
Sale and leaseback	38,528,293	46,926,537	24,478,277	24,653,750
	<u>39,888,211</u>	<u>47,839,568</u>	<u>24,986,330</u>	<u>24,939,425</u>
<i>Machinery and equipment finance leasing</i>				
Direct finance leasing	104,125	394,992	129,537	296,295
Sale and leaseback	1,666,202	333,983	307,871	–
Arrangement fee income	2,439,671	773,874	773,874	–
	<u>4,209,998</u>	<u>1,502,849</u>	<u>1,211,282</u>	<u>296,295</u>
	<u>44,098,209</u>	<u>49,342,417</u>	<u>26,197,612</u>	<u>25,235,720</u>
Factoring income	–	318,622	34,956	–
Total revenue	<u>44,098,209</u>	<u>49,661,039</u>	<u>26,232,568</u>	<u>25,235,720</u>

Our revenue was mainly derived from vehicle finance leasing, which contributed to approximately 90.5%, 96.4% and 98.8% of our revenue for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. Our finance leases cover (i) commercial vehicles; and (ii) passenger vehicles, and comprise (i) direct finance leasing; and (ii) sale and leaseback.

SUMMARY

We differentiate ourselves by being able to provide flexible and accessible finance leasing solutions to our customers which suit their needs. During the Track Record Period, we have focused our efforts on providing our vehicle finance leasing to SMEs and individuals. As at the Latest Practicable Date, our customers cover more than five provinces, municipalities and autonomous region. Since late 2017, we have diversified our customer base by providing inventory finance leasing to auto dealers for luxury cars of internationally well-known brands. We believe our rapid growth and our reputation in the market is largely attributable to our experienced staff who are able to offer customised advice to our customers, our prudent risk management and internal control processes.

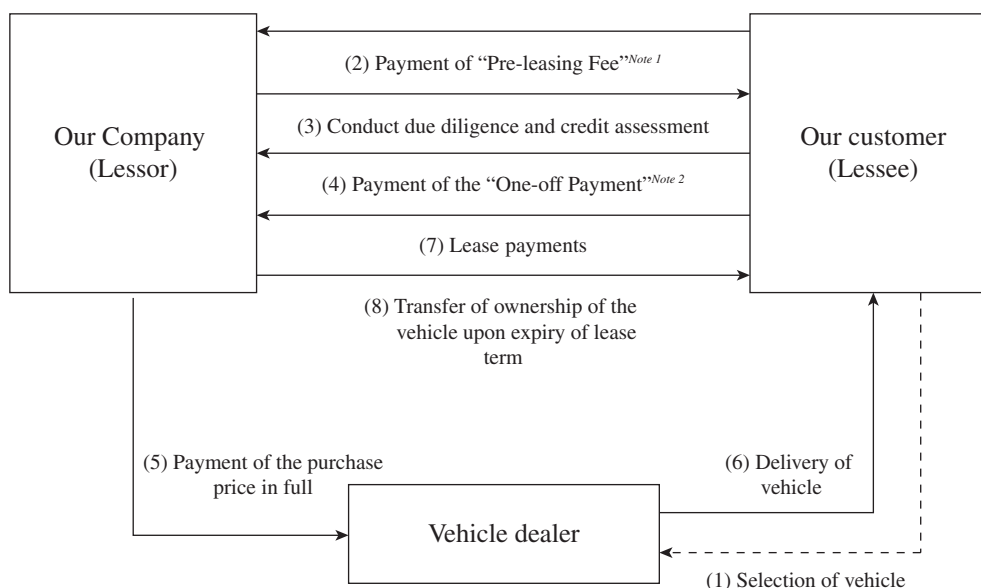
Going forward, we intend to become a leading finance leasing company in the PRC specialising in vehicle finance leasing and expand the size of our portfolio, achieve deeper market penetration within our existing business network. We believe that the Listing could (i) enhance transparency of our operations, corporate profile and brand image, thereby increasing our ability to attract potential customers; (ii) allow our Group to gain access to the capital market for equity financing for our existing operations and future expansion; and (iii) broaden our debt financing sources at more favourable terms. During the Track Record Period, we principally relied on bank and other borrowings as well as funding from our related parties to operate our business. While debt financing would increase our finance costs and reduce the profitability of our Group as compared to equity financing, through the Listing, we can broaden our funding sources by equity financing in addition to debt financing, thereby maintaining a gearing ratio at a level that we consider to be reasonable and minimising our debt financing costs.

BUSINESS MODEL

Vehicle finance leasing

Direct finance leasing generally involves leasing of vehicle acquired by us from a vehicle dealer prior to the lease transaction. Sale and leaseback generally involves leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer prior to the lease transaction. During the Track Record Period, most of our vehicle finance leasing transactions were under sale and leaseback.

The following diagram illustrates the relationship among our Company (as lessor), our customer (as lessee) and the vehicle dealer under a typical direct finance lease:

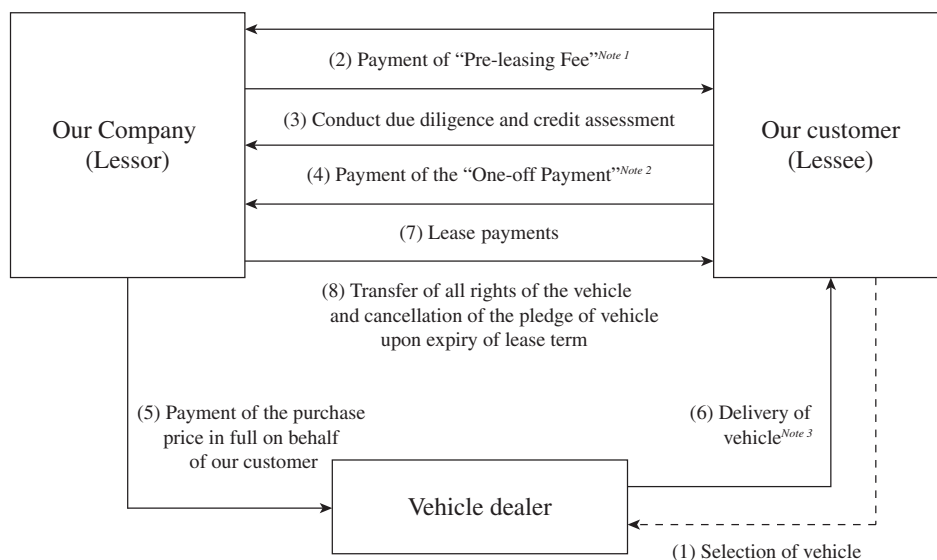


Notes:

1. "Pre-leasing Fee" includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the "One-off Payment" at the later stage.
2. "One-off Payment" includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee and down payment (if applicable).

SUMMARY

The following diagram illustrates the relationship among our Company (as lessor), our customer (as lessee) and the vehicle dealer under a typical sale and leaseback:



Notes:

1. "Pre-leasing Fee" includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the "One-off Payment" at the later stage.
2. "One-off Payment" includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee, and down payment (if applicable). In this step, our customer will also enter into an agreement with our Company to transfer all rights of the leased vehicle to us.
3. In this step, we will enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. Besides, we will arrange for the registration of the pledge of the leased vehicle to our Company at the relevant PRC authorities as part of our risk management procedures.

In direct finance leasing, we typically provide financing of 30.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customer. Under sale and leaseback, we typically provide financing of 23.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customer.

As at 31 December 2016 and 2017 and 30 June 2018, the amount of our finance lease receivables which were past due for over 90 days was approximately RMB44.0 million, RMB12.8 million and RMB9.3 million, respectively.

The collateral coverage ratio of each of the vehicle finance leases we entered into during the Track Record Period as calculated by dividing the collaterals by the net financing amount typically ranged from 100% to 439.1%. The collaterals under the finance leasing agreement represents the value of the leased vehicle plus the value of additional collaterals (if any), and the amount of the security deposit.

During each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, we entered into 751, 554 and 205 vehicle finance leases, respectively. Benefiting from the high volume of new vehicle finance lease contracts we entered into in 2016 with net financing amount of approximately RMB303.8 million as we have strategically allocated more of our resources from machinery and equipment finance leasing to vehicle finance leasing in 2016, our revenue increased from approximately RMB44.1 million in 2016 to approximately RMB49.7 million in 2017 and it continued to record a stable revenue of approximately RMB25.2 million in the first half of 2018. Our net interest margin for vehicle finance leasing remained stable at 16.0%, 16.2% and 15.5% for the two years ended 31 December 2016 and 2017 and for the six months ended 30 June 2018, respectively. Despite the decrease in the number of leases we entered into during 2017 and the decrease in the aggregate net financing amount in 2017 as compared to those in 2016 as a result of our Group's more stringent approach in our credit assessment when selecting potential customers, the annual return rate of our Group remained stable while the average net financing amount per lease increased from RMB404,505 to RMB437,575. The net financing amount per lease further increased to RMB1,018,393 for the six months ended 30 June 2018 while the aggregate net financing

SUMMARY

amount for the same period reached approximately RMB208.8 million since we were able to secure finance leases with more SME customers during the same period which generally entered into finance leases with us with higher net financing amount compared to those we entered into with individual customers. The net interest spread of the vehicle finance leasing of our Group narrowed during the Track Record Period as a result of the increase in the average costs rate of the interest-bearing liabilities, particularly in the six months ended 30 June 2018, while our annual return rate remained stable.

Machinery and equipment finance leasing

The machinery and equipment under lease were mainly bulky machines including construction equipment, incinerators, water supply systems, large-scale cables, elevators and drilling machines. We have not entered into any new machinery and equipment finance leasing agreements with any Independent Third Party during the Track Record Period.

Pricing policy

We charge interest on our finance leases based on the prevailing market rates, our risk premium through the assessment of the credit risk involved and the liquidity of the lease asset, our funding cost and our internal rates of return for finance leasing of different lease assets. Factors which affect the risk premium for pricing of our finance leases include the customer's industry and reputation, existing debt position, operating cash flows and the projected cash flows to be generated from the lease asset (if applicable).

The average internal rate of return for our new vehicle finance leases entered into during each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 was approximately 22.7%, 20.1% and 19.1%, respectively which is higher than the average costs of interest-bearing liabilities in respect of the vehicle finance leases of our Group of approximately 10.9%, 11.4% and 13.9% of the corresponding periods. The major factors affecting the average internal rate of return include the annual interest rate of our vehicle finance leases and the corresponding lease term. The higher the annual interest rate of the vehicle finance lease and the shorter the corresponding lease term, the higher is the average internal rate of return of such vehicle finance lease. The weighted average effective interest rate of our finance leases was approximately 21.5%, 19.5% and 18.6% for each of the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. The average lease term of the vehicle finance leases of our Group is approximately 22.3 months, 23.1 months and 21.2 months, respectively, for each of the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, which is within the range of the lease term of vehicle finance leases (i.e. one to three years) of vehicle finance leasing companies in the PRC according to the Industry Report.

For each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the annual return rate on our vehicle finance lease receivables was approximately 18.5%, 18.2% and 18.7%, respectively. After netting off the above-mentioned average costs of interest-bearing liabilities, the net interest spread of the vehicle finance leasing of our Group for the corresponding periods was approximately 7.6%, 6.8% and 4.8%, respectively. Our net interest spread narrowed down during the Track Record Period because there was an increase in the average costs rate of our interest-bearing liabilities during the period while our annual return rate remained stable. The increase in the average costs rate in 2018 was due to (i) the increase in interest expenses for the six months ended 30 June 2018 arising from the new borrowings drawn down in 2018 with nominal interest rate ranging from 5.7% to 9.0% per annum which is similar to the nominal interest rate of the borrowings drawn down in 2017; and (ii) the decrease in the average balance of our interest-bearing liabilities in computing the costs rate since the beginning balance of our interest-bearing liabilities was lowered as a result of the repayment of our borrowings by the end of 2017 which were drawn down in 2016 and 2017.

Funding sources

During the Track Record Period, our sources of funding are primarily (i) bank and other borrowings; and (ii) amounts due to our related parties. For details, please refer to the paragraph headed "Our lenders and funding capabilities" under the section headed "Business" in this prospectus.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe our rapid growth and strong market position are largely attributable to the following principal competitive strengths:

- we provide customer-focused finance leasing to our customers;
- we provide accessible and flexible financing solutions to our customers to bridge their financing needs;
- we are committed to provide efficient services to our customers by our information technology system;
- we have implemented prudent risk management and internal control processes; and
- we have an experienced management team supported by proficient frontline staff.

For further details, please refer to the paragraph headed “Our competitive strengths” in the section headed “Business” in this prospectus.

OUR STRATEGIES

Our principal business objective is to become a leading vehicle finance leasing company in the PRC by pursuing the following key strategies:

- expand the size of our finance leasing portfolio and achieve deeper penetration within our existing service network;
- broaden our financing sources and reduce financing costs;
- continue to attract, train and retain talented employees to support our continued growth and expansion; and
- continue to enhance our risk management capabilities.

For further details, please refer to the paragraph headed “Our strategies” in the section headed “Business” in this prospectus.

OUR CUSTOMERS

We provide our vehicle finance leasing mainly to SMEs and individuals. During the Track Record Period, all revenue from the machinery and equipment finance leasing income was generated from customers which were large and medium enterprises.

The following table sets forth our revenue during the Track Record Period against the respective type of customers:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Type of customers				
Vehicle finance leasing				
– SMEs	21,299,047	26,877,875	14,422,626	18,546,913
– Individuals	18,589,164	20,961,693	10,563,704	6,392,512
	39,888,211	47,839,568	24,986,330	24,939,425
Machinery finance leasing				
– SMEs	4,209,998	1,502,849	1,211,282	296,295
Factoring income				
– SME	–	318,622	34,956	–
	44,098,209	49,661,039	26,232,568	25,235,720

SUMMARY

The following table sets forth the breakdown of our finance lease income generated from the finance leases originated and entered into during the period indicated and the existing finance leases:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Finance leases originated and entered into during the period indicated				
<i>New customers</i>	16,508,350	9,605,528	2,543,881	2,665,288
<i>Repeat customers</i>	5,188,925	3,169,993	592,556	3,461,511
	21,697,275	12,775,521	3,136,437	6,126,798
Existing finance leases	22,400,934	36,885,518	23,096,131	19,108,922
	44,098,209	49,661,039	26,232,568	25,235,720

The following table sets forth the breakdown of the finance lease income by year of origination:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Year of origination:				
– 2013	50,500	5,358	5,356	–
– 2014	6,731,580	1,481,272	1,229,990	2,158
– 2015	15,618,854	4,567,679	3,014,800	1,036,584
– 2016	21,697,275	30,831,209	18,845,985	5,760,570
– 2017	–	12,775,521	3,136,437	12,309,610
– 2018	–	–	–	6,126,798
	44,098,209	49,661,039	26,232,568	25,235,720

The following table sets forth the total amount of undiscounted finance lease receivables during the Track Record Period, against the respective type of customers:

	As at 31 December		As at
Type of customers	2016	2017	30 June
	RMB	RMB	2018
			RMB
Vehicle finance leasing			
– SMEs	186,658,485	195,461,887	263,361,805
– Individuals	134,853,308	85,757,001	60,895,718
	321,511,793	281,218,888	324,257,523
Machinery finance leasing			
– SMEs	11,265,089	10,420,499	8,875,630
	332,776,882	291,639,387	333,133,153

SUMMARY

- arrange appropriate means of funding and plan proportional debt repayment structure; and
- prioritise the most appropriate means of funding.

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 will be reviewed and approved by our Board; (ii) the arrangement of timing and means for our borrowing according to our business development schedule and cash flow situations with the aim to meet our business plans; (iii) the arrangement of financing based on the terms of our financing 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, there is sufficient working capital to meet our business needs, and effectively limit our exposure to liquidity risk.

For details, please refer to the paragraph headed "Our debt management" under the section headed "Business" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), our Company will be held as to 75% by View Art, which is wholly owned by Mr. Chau David. Hence, View Art and Mr. Chau David will be regarded as our Controlling Shareholders upon Listing.

For further details on our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

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 IFRS, and you should read the section headed "Financial information" in this prospectus.

Summary results of operations

	Year ended 31 December		Six months ended 30 June	
	2016 RMB	2017 RMB	2017 RMB (unaudited)	2018 RMB
Revenue	44,098,209	49,661,039	26,232,568	25,235,720
Other income	10,820,019	7,116,719	5,212,821	535,632
Other gains and losses	(746,460)	1,833,575	703,147	105,711
Staff costs	(12,274,877)	(12,235,533)	(7,242,813)	(5,050,833)
(Recognition) reversal of loss allowance on finance lease receivables, net	(5,514,165)	1,108,409	(3,484,068)	908,072
(Recognition) reversal of loss allowance on other financial assets measured at amortised cost	(115,114)	(427,242)	–	427,242
Other operating expenses	(10,869,251)	(10,429,404)	(6,223,838)	(5,139,062)
Listing expenses	–	(11,408,386)	(6,284,531)	(2,484,357)
Finance cost	(16,616,759)	(18,370,615)	(9,316,233)	(10,918,989)
Profit (loss) before tax	8,781,602	6,848,562	(402,947)	3,619,136
Income tax (expense) credit	(2,271,445)	(1,766,173)	64,986	(951,529)
Profit (loss) and total comprehensive income (expense) for the year/period	<u>6,510,157</u>	<u>5,082,389</u>	<u>(337,961)</u>	<u>2,667,607</u>

SUMMARY

Our Group recorded revenue of approximately RMB44.1 million and RMB49.7 million, respectively, for the years ended 31 December 2016 and 2017. Our revenue remained stable at approximately RMB25.2 million for the six months ended 30 June 2018 as compared to that of the corresponding period in 2017 of approximately RMB26.2 million. Our Group recorded a profit of approximately RMB6.5 million, RMB5.1 million and RMB2.7 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. Our Group recorded other income of approximately RMB10.8 million and RMB7.1 million, respectively, for the years ended 31 December 2016 and 2017 and approximately RMB0.5 million for the six months ended 30 June 2018 which mainly comprises government subsidies and imputed interest income from related parties. The government subsidies to our Group primarily consist of refund upon levy of value-added tax offered to enterprises in the financial industry or finance leasing industry of approximately RMB6.9 million, RMB5.9 million and RMB0.3 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. In the event that our other income was excluded from the profit or loss in 2016, our Group would become loss making.

Our Group's finance lease receivables were measured under IAS 17 "Leases" consistently throughout the Track Record Period, while the requirement of derecognition and impairment of which were accounted for under IAS 39 prior to 1 January 2018 and under IFRS 9 since 1 January 2018. Our Company assessed that the derecognition requirement related to the finance lease receivables are the same under both IFRS 9 and IAS 39. However, in relation to the impairment, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39.

Before the adoption of IFRS 9, management estimates the amount of loss allowance under incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the IFRS 9 general approach to measure ECL on finance lease receivables. Management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortised cost based on the credit risk of the finance lease receivables. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, application of IFRS 9 would result in early recognition of impairment losses based on expected credit loss model as compared to the incurred credit loss model under IAS 39.

SUMMARY

Our Group recorded loss allowance on finance lease receivables of approximately RMB5.5 million for the year ended 31 December 2016 while a reversal of loss allowance on finance lease receivables of approximately RMB1.1 million and RMB0.9 million for the year ended 31 December 2017 and for the six months ended 30 June 2018, respectively. The reversal of impairment losses on finance lease receivables for the year ended 31 December 2017 was primarily due to (i) the management's enhanced effort in debt collection; (ii) the transfer of related finance lease receivables to an independent financial institution with no recourse in the amount of approximately RMB29.7 million; and (iii) improvement of the asset quality of our finance lease receivables. On 1 January 2018, as a result of the initial adoption of IFRS 9 on 1 January 2018, the difference between the carrying amounts of finance lease receivables as at 31 December 2017 and 1 January 2018, amounting to RMB789,577, was recognised in the opening retained profits, without restating the financial information for the years ended 31 December 2016 and 2017. For the six months ended 30 June 2018, there was a reversal of impairment losses of approximately RMB0.9 million on finance lease receivables, primarily due to the improvement of the asset quality of our finance lease receivables.

Selected consolidated statements of financial position

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	RMB
Non-current assets	84,225,661	73,835,110	94,931,110
Current assets	271,601,326	205,458,631	231,743,174
Current liabilities	137,574,849	85,443,516	115,272,955
Net current assets	134,026,477	120,015,115	116,470,219
Total assets less current liabilities	218,252,138	193,850,225	211,401,329
Non-current liabilities	55,267,258	25,782,956	41,258,636
Total equity	162,984,880	168,067,269	170,142,693

Consolidated statements of cash flows

	Year ended 31 December		Six months ended
	2016	2017	30 June
	RMB	RMB	RMB
Operating cash flows before movement in working capital	29,388,775	22,647,146	13,281,696
Changes in working capital	(112,495,797)	(8,313,868)	(48,911,590)
Income tax paid	(1,959,272)	(1,436,140)	(5,302,756)
Bank interest received	49,947	54,091	31,046
Interest paid	(6,065,750)	(5,178,739)	(4,077,333)
Net cash (used in)/from operating activities	(91,082,097)	7,772,490	(44,978,937)
Net cash (used in)/from investing activities	48,484,308	19,438,354	(324,870)
Net cash (used in)/from financing activities	37,269,777	(29,627,456)	54,815,341
Net (decrease)/increase in cash and cash equivalents	(5,328,012)	(2,416,612)	9,511,534
Cash and cash equivalents at beginning of the year/period	11,968,158	6,645,219	4,229,539
Effect of exchange rate change	5,073	932	(385)
Cash and cash equivalents at end of the year/period	6,645,219	4,229,539	13,740,688

For the year ended 31 December 2016, our Group had cash flows generated from operating activities before movement in working capital of approximately RMB29.4 million while our Group recorded net cash used in operating activities of approximately RMB91.1 million. The substantial amount of cash used in operating activities for the year ended 31 December 2016 was mainly due to (i) the increase in finance lease receivables of approximately RMB110.5 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2016 with aggregate net financing amount of approximately

SUMMARY

RMB303.8 million; and (ii) the decrease in other payables and accrued expenses of approximately RMB11.8 million as a result of the settlement of administrative expenses and accrued tax payable by our Group which was partially offset by the increase in deposits from finance lease customers of approximately RMB16.2 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2016.

For the six months ended 30 June 2018, our Group had cash flow generated from operating activities before movement in working capital of approximately RMB13.3 million while our Group recorded net cash used in operating activities of approximately RMB45.0 million. The substantial amount of cash used in operating activities for the six months ended 30 June 2018 was mainly due to (i) the increase in finance lease receivables of approximately RMB36.9 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2018 with aggregate net financing amount of approximately RMB208.8 million; (ii) the settlement of listing costs payable of approximately RMB4.2 million; (iii) the settlement of income tax payable of approximately RMB5.3 million; and (iv) the payment of interest of approximately RMB4.1 million during the six months ended 30 June 2018.

Key operational and financial data

Selected financial ratios

	As at 31 December		As at
	2016	2017	30 June 2018
Current ratio ⁽¹⁾	2.0	2.4	2.0
Gearing ratio ⁽²⁾	56.6%	20.7%	54.0%
	Year ended 31 December		Six months ended
	2016	2017	30 June 2018
Net profit margin (before tax) ⁽³⁾	19.9%	13.8%	14.3%
Net profit margin ⁽⁴⁾	14.8%	10.2%	10.6%
Return on total assets ⁽⁵⁾	1.8%	1.8%	N/A ⁽⁹⁾
Return on equity ⁽⁶⁾	4.0%	3.0%	N/A ⁽⁹⁾
Net interest margin for vehicle finance leasing ^{(7) (10)}	16.0%	16.2%	15.5%
Net interest spread for vehicle finance leasing ^{(8) (10)}	7.6%	6.8%	4.8%

Notes:

- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective dates.
- Gearing ratio is calculated based on the total debt (which includes bank and other borrowings and amounts due to related parties) divided by total equity as at the respective dates.
- Net profit margin (before tax) is calculated based on the profit before tax for the respective period divided by the revenue for the respective period.
- Net profit margin is calculated based on the profit after tax for the respective period divided by the revenue for the respective period.
- Return on total assets is calculated based on the profit after tax for the respective period divided by the total assets as at the respective dates.
- Return on equity is calculated based on the profit after tax for the respective period divided by the total equity as at the respective dates.
- Net interest margin is calculated based on interest income from the interest-earning assets minus interest expense from the interest-bearing liabilities divided by average balance of the interest-earning assets.
- Net interest spread is the difference between the annual return rate of the interest-earning assets and annual cost rate of the interest-bearing liabilities.
- Such ratios for the six months ended 30 June 2018 are not meaningful and potentially misleading as the underlying income statement ratios do not reflect a full year of results of operations.
- For illustration, annualised figure for each of the net interest margin and net interest spread for the six months ended 30 June 2018 as illustrated in the table above is calculated by the actual ratio multiplying by two and may not represent the ratio for the twelve months ending 31 December 2018, and is incomparable to that for the years ended 31 December 2016 and 2017.

SUMMARY

The following table sets forth the maturity profile of our finance lease receivables.

	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total Undiscounted cash flows RMB	Carrying amount RMB
Maturity profile of the finance lease receivables as at								
- 31 December 2016	42,410,002	20,801,436	33,731,296	133,861,494	75,694,750	26,277,844	332,776,822	274,212,879
- 31 December 2017	10,491,899	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	291,639,387	252,239,747
- 30 June 2018	10,130,273	24,410,333	43,426,230	146,429,151	80,957,581	27,779,585	333,133,153	289,252,497

Our overall maturity profile of the finance lease receivables remains stable as at 31 December 2017 compared to 31 December 2016 and as at 30 June 2018 compared to 31 December 2017 except that the finance lease receivables on demand decreased by approximately RMB31.9 million from approximately RMB42.4 million to RMB10.5 million as at 31 December 2016 and 2017, respectively. The decrease was mainly due to the reduction of overdue finance lease receivable as a result of (i) management's enhanced effort in debt collection; (ii) transfer of related finance lease receivables to an independent financial institution with no recourse; and (iii) improvement of the asset quality.

As compared to 31 December 2017, our net finance lease receivables increased by approximately RMB37.0 million or 14.7% to approximately RMB289.3 million as at 30 June 2018, which is mainly due to (i) the increase in the net financing amount of vehicle finance leases entered into in 2018; and (ii) the allowance of doubtful accounts has decreased as a result of improvement in the asset quality of the finance lease receivables.

As at the Latest Practicable Date, we have recovered approximately 97.8% of our finance lease receivables with a maturity of up to three months as at 30 June 2018.

LAWS AND REGULATIONS IN THE PRC APPLICABLE TO OUR BUSINESS

We conduct our finance leasing business in the PRC and are subject to the regulatory requirements of the PRC. According to the *Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-Funded Finance 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》), the registered capital of foreign-invested finance leasing companies shall not be less than US\$10 million. Besides, according to 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 risk assets of a finance leasing company shall not exceed 10 times of the total amount of its net assets. Risk assets of a financing leasing company 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 company, which is defined in *Measures for the Administration of Foreign-funded Lease Industry* (Order of the Ministry of Commerce [2015] No. 5) (《外商投資租賃業管理辦法》) (the “*Measures of Foreign-funded Lease Industry*”). However, the Measures of Foreign-funded Lease Industry was abolished on 22 February 2018. Despite the abolishment of the Measures of Foreign-funded Lease Industry, our Directors believe that the definition of “risk assets” as stated therein is still applicable and we will still use such definition for the purpose of calculating risk assets until further relevant laws or regulations are promulgated. Based on the unaudited management accounts of our Group for the nine months ended 30 September 2018, our risk assets was approximately 1.68 times of our net assets. Please refer to the section headed “Regulations” in this prospectus for further details of other laws and regulations which are applicable to our Company.

Our Directors and our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraphs headed “Properties” and “Non-compliance” in the section headed “Business” in this prospectus, 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.

SUMMARY

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had not fully complied with certain laws and regulations in respect of contribution to certain employees benefit fund in respect of social insurance and housing provident contribution. All such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial and operational aspects. Please refer to the paragraph headed “Non-compliance” under the section headed “Business” in this prospectus for further information of these non-compliance incidents.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 June 2018 (being the date to which the latest audited consolidated financial information of our Group was made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group. Furthermore, there has been no event since 30 June 2018 and up to the date of this prospectus which would materially and adversely affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

For the three months ended 30 September 2018, the aggregate net financing amount of our vehicle finance leases originated and entered into during the period was approximately RMB90.2 million which involved 62 leases with average lease term of 18.9 months. Among these leases, 26 leases with net financing amount of approximately RMB46.2 million were from new customers.

The government subsidies in respect of refund upon levy of value-added tax decreased in 2018 as such tax refund in prior years were mainly arisen from machinery and equipment finance leasing and its scale was comparatively smaller in 2018. In addition, as a result of the settlement of the loans to related parties during 2017, the imputed interest income from related parties for the six months ended 30 June 2018 was zero, which represented a decrease of approximately RMB0.8 million as compared with the year ended 31 December 2017. Both the drop in government subsidies and imputed interest income will have a negative impact on our financial performance for the financial year ending 31 December 2018.

Starting in April 2018, there was a trade war between China and the United States where the United States imposed tariffs on various categories of imports from China, and the PRC responded with similarly sized tariffs on United States’ products. The rhetoric surrounding the trade war may continue to escalate. The amicable resolution of the trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the industries we operate in remain uncertain. We believe that the trade war directly impacts on manufacturers in the PRC which export goods under various categories to the United States, which in turn would increase their costs and adversely affect their competitiveness. Therefore, we are of the view that the trade war, so far, has not imposed any material or direct impact on our business and financial conditions since (i) we are not engaged in manufacturing or export of goods to the United States; and (ii) a large proportion of the aggregate net financing amount of our vehicle finance leases originated and entered into during the Track Record Period was from SME customers, and we understand that a majority of them used the leased vehicles for pursuing vehicle operating lease business (e.g. operation of passenger car fleets) rather than manufacturing business which involves in the export of goods to the United States.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately RMB43.6 million assuming an Offer Price of HK\$0.45 being the mid-point of the Offer Price range from HK\$0.39 to HK\$0.50, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer. We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 95.0%, or RMB41.4 million, for expanding our capital base for our finance leasing operations; and
- the remaining amount of approximately 5.0%, or RMB2.2 million, will be used to provide funding for our working capital and other general corporate purposes.

For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

SUMMARY

OFFER STATISTICS

	Market capitalisation of the Shares <i>HK\$</i>	Audited consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 <i>RMB</i>	Estimated net proceeds from the Share Offer <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owner of the Company as at 30 June 2018 per Share <i>RMB</i>	<i>HK\$</i>
Based on Offer Price of HK\$0.39 per Offer Share	312,000,000	167,569,236	48,303,184	215,872,420	0.27	0.32
Based on Offer Price of HK\$0.50 per Offer Share	400,000,000	167,569,236	65,126,714	232,695,950	0.29	0.35

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB32.0 million (assuming an Offer Price of HK\$0.45 per Offer Share (which is the mid-point of the Offer Price range)). As at 30 June 2018, we have incurred listing expenses of approximately RMB18.4 million for the Share Offer, of which approximately RMB13.9 million has been charged to our consolidated statements of comprehensive income and RMB4.5 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 approximately RMB13.7 million until the completion of the Share Offer, of which approximately RMB5.1 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 December 2018 and approximately RMB8.5 million is expected to be recognised as a deduction in equity directly. The listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

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 time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

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.

SUMMARY

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 finance leasing business is concentrated in the lease of vehicles. Any decrease in use of vehicles in the PRC could have a material adverse effect on our financial conditions, results of operation and growth prospects;
- if we are unable to effectively mitigate credit risk and maintain our asset quality, our financial condition and results of operation and growth prospects may be materially and adversely affected;
- we cannot assure you that we can or will continue to match the maturity profile of our financial assets and financial liabilities as scale of 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 operation;
- our business depends on our reputation and consumer perception of our brand, and any negative publicity or other harm to our brand or failure to maintain and enhance our brand recognition may adversely affect our business, financial condition and results of operation;
- the value of our collateral and/or guarantees may be inadequate to cover our related receivables; and
- interest rate changes may materially and adversely affect interest expenses related to our borrowings, reduce net interest income, increase our funding costs and reduce the profitability of our finance leasing services.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company (as amended from time to time), adopted on 23 November 2018 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Asset Transfer Agreements”	the agreements which we entered into with an Independent Third Party in May 2017 pursuant to which our Group sold our past due finance lease receivables to the Independent Third Party at a cash consideration, details of which are set out in the paragraph headed “Step 6: Risk management and enforcement measures” in the section headed “Risk management” in this prospectus
“associate(s)”	has the same meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,950,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Company – 4. Resolutions in writing of our sole Shareholder passed on 23 November 2018” under the section headed “Statutory and general information” in Appendix IV to this prospectus
“Cayman Share Registrar”	Estera Trust (Cayman) Limited

DEFINITIONS

“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
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	chairman of our Board
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Co-Lead Manager”	Success Securities
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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”	the 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”	Metropolis Capital Holdings Limited, a company incorporated in the Cayman Islands on 29 June 2017 as an exempted company with limited liability under the Companies Law
“connected person(s)”	has the same meaning as defined in the GEM Listing Rules

DEFINITIONS

“Controlling Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and unless the context requires otherwise, collectively refers to View Art and Mr. Chau David
“Deed of Indemnity”	the deed of indemnity dated 23 November 2018 and entered into between our Controlling Shareholders and our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed “F. Other information – 1. Tax and other indemnity” under the section headed “Statutory and general information” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 23 November 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed “Deed of Non-competition” under the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“ECL”	expected credit loss
“Emperor Securities”	Emperor Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“E-Leasing System”	an enterprise resource planning (ERP) information technology system used by our Company to control the overall vehicle finance lease operation
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we”, “our” and “us”	our Company and our subsidiaries at the relevant time or, where the context so required, 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
“Heading Century” or “Industry Expert”	Beijing Heading Century Consulting Co. Ltd* (北京漢鼎盛世諮詢服務有限公司), an Independent Third Party
“ HK eIPO White Form ”	the application of the Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards
“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) our Company or its connected persons

DEFINITIONS

“Industry Report”	an industry research report issued by Heading Century as commissioned by the Company as referred in the section headed “Industry overview” in this prospectus
“Kailan”	Kailan Marketing Planning Co., Ltd.* (上海凱藍市場營銷策劃有限公司), a limited liability company established in the PRC on 15 September 2011, and is owned as to 85% by the close family member of Mr. Chau David
“Latest Practicable Date”	20 November 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Lead Manager”	Emperor Securities
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Listing Committee”	the listing committee of the Stock Exchange
“Main Board”	the main board operated by the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company (as amended from time to time), adopted on 23 November 2018 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Metropolis Asia”	Metropolis Asia Ltd., a limited liability company incorporated in the BVI on 25 May 2009 and a direct wholly-owned subsidiary of our Company
“Metropolis Hong Kong”	Metropolis International Investment Holding (Hong Kong) Company Limited (信都國際投資控股集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 18 June 2009 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Metropolis Leasing”	Metropolis International Leasing Co., Ltd.* (信都國際租賃有限公司), a limited liability company established in the PRC on 20 October 2009 and an indirect wholly-owned subsidiary of our Company
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chau David”	Mr. Chau David (alias Mr. Chow Tai Lik) (周大為先生), our Chairman, chief executive officer, executive Director and one of our Controlling Shareholders
“Ms. Chau On”	Ms. Chau On (周安女士), our non-executive Director and the mother of Mr. Chau David
“NPC”	National People’s Congress of the PRC (中國人民共和國全國人民代表大會)
“Offer Price”	the price for each Offer Share of not more than HK\$0.50 per Share and expected to be not less than HK\$0.39 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and to be fixed on or about the Price Determination Date
“Offer Shares”	the Placing Shares and the Public Offer Shares
“PBOC”	People’s Bank of China (中國人民銀行)
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 Shares being initially offered by our Company for subscription under the Placing, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing as set forth in the paragraph headed “Placing Underwriters” in the section headed “Underwriting” in this prospectus

DEFINITIONS

“PRC” or “China”	the People’s Republic of China and for the purposes of this prospectus, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	DeHeng Law Offices (Shenzhen), the legal advisers of our Company as to PRC law
“Price Determination Date”	the date expected to be on or about 5 December 2018 (or such other date as agreed by our Company and Emperor Securities) and in any event no later than 6 December 2018, on which the Offer Price will be determined
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are set forth in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 20,000,000 new Shares initially offered by our Company for subscription under Public Offer subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer as set forth in the paragraph headed “Public Offer Underwriters” in the section headed “Underwriting” in this prospectus
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in the section headed “History, reorganisation and corporate structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the 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

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) having a par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 23 November 2018, the principal terms of which are summarised in the paragraph headed “E. Share Option Scheme” under the section headed “Statutory and general information” in Appendix IV to this prospectus
“SME”	small and medium-sized enterprise
“Sole Bookrunner”	Emperor Securities
“Sole Sponsor”	Octal Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed as the sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial shareholders” in this prospectus or, where the context so requires, any one of them
“Success Securities”	Success Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	collectively, the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreement”	the conditional underwriting agreement dated 29 November 2018 relating to the Public Offer and the Placing entered into between, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor and the Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“US\$” or “U.S. dollar”	United States dollar, the lawful currency of the United States of America
“View Art”	View Art Investment Limited, a limited liability company incorporated in the BVI on 28 September 2007 and wholly owned by Mr. Chau David and one of our Controlling Shareholders
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Offer Shares to be issued in the applicant’s own name(s)
“Xinren Leasing”	Xinren Finance Leasing (Shanghai) Co., Ltd.* (信仁融資租賃(上海)有限公司), a limited liability company established in the PRC on 16 June 2014, an indirect wholly-owned subsidiary of our Company prior to its deregistration on 30 October 2017
“Xin You”	Xin You (Cangzhou) Real Estate Development Co., Ltd* (信友(滄州)房地產開發有限公司), a company established in the PRC on 13 August 2010, indirectly owned as to 20% and 80% respectively by Ms. Chau On and Mr. Chow Chuen Chung, the father of Mr. Chau David, the legal representative and chairman of the board of which as at the Latest Practicable Date is Mr. Chau David, and the vice chairman of the board of which is Ms. Chau On

DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require such Offer Shares to be deposited directly in CCASS

“%” per cent

* *For identification purposes only*

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.

GLOSSARY

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“commercial vehicle”	a vehicle which is used for transporting more than nine passengers or is designed for freight transportation, such as trucks, buses and specialty vehicles including tractor units and dump trucks
“finance leasing penetration ratio”	the proportion of customers or transactions using finance leasing as the payment method when purchasing a product (for example, a vehicle) among all customers or transactions regarding the purchase of such product
“GDP”	gross domestic product
“internal rate of return”	the annualised effective compound interest rate at which the net present value of all lease-related cash flows (both positive and negative) from a particular lease term equal to zero
“market penetration ratio”	the sales amount of vehicles under finance lease over the total sales amount of vehicles in the PRC
“net financing amount”	the actual amount financed by our Company after netting off the down payment received from our customer from the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable))
“new energy vehicle”	vehicle with advanced technology and structure which is powered by unconventional vehicle fuel (or by conventional vehicle fuel but new power generating system), and is integrated with advanced vehicle dynamics control and drive technology, for example, pure electric vehicle and plug-in hybrid vehicle
“passenger vehicle”	a vehicle which is used for transporting not more than nine passengers, such as sedans, sport utilities vehicles and multi-purpose vehicles
“road transportation operation licence”	a licence which is required to be obtained by freight/passenger transport operator to carry on its business
“transportation company”	company with road transportation and operation qualifications pursuant to the relevant laws and regulations of the PRC

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulations and general outlook in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- the other factors that are described in the section headed “Risk Factors” in this prospectus; and
- certain statements in the section headed “Financial information” in this prospectus with respect to trend in interest rate, operations, margins, overall market trends, risk management and exchange rates.

We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. Prospective investors should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decisions in relation to our Company. Potential investors should pay particular attention to the fact that our Group's business is mainly located in the PRC and our 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 our Shares could decline due to any of these risks, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date of this prospectus.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting operations in the PRC; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our finance leasing business is concentrated in the lease of vehicles. Any decrease in use of vehicles in the PRC could have a material adverse effect on our financial conditions, results of operation and growth prospects.

For each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, approximately 90.5%, 96.4% and 98.8% of our revenue was derived from the lease of vehicles to our customers, respectively. Any decrease in demand for vehicles in the PRC due to any change in the PRC government's policies, culture or otherwise, or a slowdown in PRC's economy which affects general spending power, or a slowdown in downstream industries, all these may affect the demand for our finance leasing services. This may have a material adverse effect on our financial condition, results of operation and growth prospects.

As our customers comprise mainly SMEs and individuals, we are subject to greater credit risks and our credit risk management may not be adequate to protect against customer defaults.

Our customers, primarily comprising SMEs and individuals, generally have less established business track record, fewer financial resources or lower borrowing capacity than larger enterprises, and may be more vulnerable to adverse market, economic or regulatory conditions. In particular, the business of SMEs and individuals may be adversely affected by regional financial markets turmoil and changes in the macro credit policies in the PRC.

RISK FACTORS

Our business principally involves providing finance leasing to customers on the premise that the net financing amount will be repaid together with interest. Our business is therefore subject to risks that our customers may default on their repayment obligations. A number of factors may affect our customers' ability to meet their repayment obligation. Such factors include the failure to implement their business plans, a downturn in the market or industry which they carry on their business or adverse general economic conditions. Conditions such as inflation, economic downturns, policy changes, adjustments of industry structure and other factors beyond our control may result in deterioration of our customers' business operations, financial conditions or repayment ability, thereby increasing our credit risk. If our customers 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 and results of operation.

Historical financial conditions and results of operation may not be indicative of our future growth.

For the years ended 31 December 2016 and 2017, our total revenue amounted to approximately RMB44.1 million and RMB49.7 million, respectively, while our profit and total comprehensive income amounted to approximately RMB6.5 million and RMB5.1 million respectively, with net profit margin of approximately 14.8% and 10.2% respectively. The increase in revenue was due to our effort in allocating more resources to expand our vehicle finance leasing business, taking into account the low market penetration ratio of vehicle finance leasing in the PRC and the increasing acceptance of finance lease as a mode for financing for vehicle purchases in the PRC. The decrease in profit and total comprehensive income for the year ended 31 December 2017 was primarily caused by listing expenses of approximately RMB11.4 million for the year ended 31 December 2017. Our total revenue for the six months ended 30 June 2017 and 2018 remained relatively stable and amounted to approximately RMB26.2 million and RMB25.2 million respectively, with a net loss for the six months ended 30 June 2017 and a net profit of approximately RMB2.7 million and net profit margin of approximately 10.6% for the six months ended 30 June 2018. The increase in profit and total comprehensive income for the six months ended 30 June 2018 was primarily due to (i) the decrease in staff cost by approximately RMB2.2 million; and (ii) the decrease in listing expenses by approximately RMB3.8 million.

We had allocated more resources to vehicle finance leasing business during the Track Record Period and entered into one factoring agreement in relation to vehicle finance leasing in 2017. For the year ended 31 December 2017, such factoring agreement generated revenue and operating cash flows before changes in working capital of RMB318,622. We may also change our business focus or reallocate our business resources from time to time in order to compete in the evolving market in China. We cannot assure that we will be able to operate our business as successful in the future or that the macro-economic conditions of the PRC will not deteriorate. Our financial conditions and results of operation may be adversely affected if we fail to operate our business as successful or the macro-economic condition in the PRC becomes unfavourable.

RISK FACTORS

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

There is no guarantee that we will receive any government subsidies in the future.

During the Track Record Period, the government subsidies we received primarily consisted of refund upon levy of value-added tax offered to enterprises in the financial industry or finance leasing industry were mainly arisen from our machinery and equipment finance leasing, which amounted to approximately RMB6.9 million, RMB5.9 million and RMB0.3 million for the years ended 31 December 2016 and 2017 and for the six months ended 30 June 2018. As we have allocated more resources on vehicle finance leasing business, our revenue generated from machinery and equipment finance leases decreased during the Track Record Period and amounted to approximately RMB4.2 million, RMB1.5 million and RMB0.3 million for the years ended 31 December 2016 and 2017 and for the six months ended 30 June 2018. As such, the amount of government subsidies we receive in future may be less than that for the year ended 31 December 2016 and 2017, which may affect our profitability. In addition, government policies are subject to change from time to time. There is no guarantee that we will receive any government subsidies at all in future and the decrease in government subsidies that we receive may materially and adversely affect our financial performance and results of operations.

We derived imputed interest income from related parties during the Track Record Period which was non-recurring in nature.

We had made advances to Mr. Chau David, Kailan and Xin You (being related parties of our Company) during the Track Record Period, and the imputed interest income from related parties amounted to approximately RMB3.2 million, RMB0.8 million and nil, for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. These advances were non-trade in nature, non-interest bearing and non-recurring in nature. For each reporting period during the Track Record Period, we had recognised imputed interest income on such advances under IFRS. However, such imputed interest income is only a hypothetical income under IFRS and had not resulted in actual cash receipts during the Track Record Period. As all the amounts due from Mr. Chau David, Kailan and Xin You had been settled prior to the date of this prospectus, the imputed interest from the above related parties of our Company will not contribute to our profit following the Listing. This may affect our financial position, particularly our net profit in the future.

Changes in our deferred tax assets may not be recovered.

Based on our accounting policies, deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The realisation of a deferred tax asset mainly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future. Our deferred tax assets

RISK FACTORS

was approximately RMB3.5 million, RMB1.7 million and RMB1.2 million as at 31 December 2016 and 2017 and 30 June 2018, respectively. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. As such, our deferred tax assets that may be realised could be reduced from time to time if our estimates of future taxable income from our operations during the carry forward period are lower than forecasted, due to any deterioration in market conditions or other circumstances.

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

The sustainability of our business depends largely on our ability to effectively manage our credit risk and maintain the quality of our finance lease receivables portfolio. Any deterioration in our asset quality or impairment in our finance lease receivables could have a material adverse effect on our financial condition, results of operation and growth prospects. We cannot assure you that our assessment and monitoring of credit risk will always be sufficient and our efforts to mitigate credit risk through our credit assessment procedures and risk management system are or will always be sufficient to manage our finance lease receivables. Any insufficiency in our credit risk management system or any significant deterioration in the portfolio quality of our finance leasing business and significant increase in associated credit risk may have a material adverse effect on our business, results of operation and financial condition.

We cannot assure you that we can or will continue to match the maturity profile of our financial assets and financial liabilities as scale of 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 operation.

We seek to match the maturity profile of our financial assets and financial liabilities on an ongoing basis. As at 31 December 2016 and 2017 and 30 June 2018, our total financial assets, based on the contractual undiscounted cash flows, amounted to approximately RMB403.3 million, RMB307.4 million and RMB359.0 million, respectively, while our total financial liabilities, based on the contractual undiscounted cash flows, amounted to approximately RMB198.3 million, RMB107.6 million and RMB162.5 million, respectively. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, based on the scheduled repayment dates in the loan agreements, our financial liabilities that were due on demand or within one year amounted to approximately RMB131.3 million, RMB72.9 million and RMB111.0 million, respectively; and our financial liabilities that were due more than one year were approximately RMB66.9 million, RMB34.7 million and RMB51.4 million, respectively. Whilst we did not have any net liquidity shortfall during the Track Record Period, we cannot assure you 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 operation.

RISK FACTORS

We may not be able to service our debts.

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

- transferring, charging or pledging of material assets without obtaining the banks' prior approval;
- merging or consolidating with another company, setting up subsidiary, reduction in share capital, making material foreign investment, applying for bankruptcy without the banks' prior approval; and
- early repayment of other long term borrowings which adversely affects the repayment obligation under the relevant financing agreements.

During the Track Record Period and up to the Latest Practicable Date, none of our banks or other lenders have claimed default against us under any of the provisions in the financing agreements and we believe that we have not breached any of the provisions in such a way that could result in any event of default during the Track Record Period. If we fail to comply with any of the requirements of our financing agreements, or are unable to generate sufficient cash flows from our business operations, from the disposal of the assets underlying our leases, or from other business activities, or if we are unable to obtain further financing on favourable terms or at all to meet or repay our debts when due, the banks may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently materially and adversely affect our liquidity, business, prospects, financial condition, result of operation and our ability to obtain future financing.

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

For the year ended 31 December 2016 and the six months ended 30 June 2018, our Group's net cash outflows from operating activities amounted to approximately RMB91.1 million and RMB45.0 million respectively primarily attributable to the increase in finance lease receivables in our ordinary course of business. For details, please refer to the paragraph headed "Liquidity and capital resources" under the section headed "Financial information" in this prospectus. 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 finance lease receivables. Should there be any significant deterioration in the quality of our finance lease receivables portfolio, our liquidity and cash flows from operating activities could be materially and adversely affected.

RISK FACTORS

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. Chau David and Ms. Zhou Hui) and our senior management (including Mr. Li Shun and Mr. Yuan Xiaobing) play vital roles in our operations. 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, 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 in turn 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 business operation department). 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 operation and growth prospects.

Our business depends on our reputation and consumer perception of our brand, and any negative publicity or other harm to our brand or failure to maintain and enhance our brand recognition may adversely affect our business, financial condition and results of operation.

We believe that our reputation and consumer perception of our brand are important to our business. Maintaining and enhancing our reputation and brand recognition depends primarily on the quality and consistency of our services, as well as the success of our marketing and promotional efforts. We believe that maintaining and enhancing our brand is essential to our efforts to maintain and expand our customer base. If customers do not perceive our services to be of high quality, our brand image may be harmed, thereby decreasing the attractiveness of our services. While we have devoted substantial resources to brand promotion efforts in recent years, our ongoing marketing efforts may not be successful in further promoting our brand. In addition, our brand image may be harmed by negative publicity relating to our Company regardless of its veracity. If we are unable to maintain and further enhance our brand recognition and increase market awareness for our company and services, our ability to attract new customers may be impeded and our business prospects may be adversely affected.

RISK FACTORS

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, 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.

With the aim of addressing credit risks, we have put in place a standardised and centralised risk management system. While our risk management system is designed to manage our credit risk, there can be no assurance that such system will be effective in avoiding all undue credit risk.

In addition, management of operational, legal and compliance 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 operation and growth prospects.

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

Our receivables under our finance leases are secured by the underlying vehicles of which we retain ownership, other collaterals (including property) and/or guarantees. However, the value of such vehicles to be disposed of may decline or may be 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 collaterals, could significantly decrease the amounts we may recover under such guarantees or collaterals.

If the value of vehicles and other collaterals 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 recover the principal amounts of the loans that we have extended to our customers, and our financial condition, results of operation and growth prospects could be materially and adversely affected.

RISK FACTORS

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

In the event of any material default on payment by our customers in respect of their finance leases, we are entitled to enforce our security rights over the underlying vehicles, or our rights in respect of the collaterals or guarantees. The time required for enforcing our security rights over the underlying vehicles by repossession to reaching a settlement arrangement with our customers for the repossessed vehicles or disposing the repossessed vehicles take around three months on average during the Track Record Period. In the event of liquidation of our customers, although we could apply to a PRC court in accordance with the PRC Civil Procedure Law for the disposal of any underlying vehicle, the enforcement of a guarantee, or the repossession of the underlying vehicle, under the PRC law, our rights may be subordinated to other claims which have a priority over our rights under the PRC laws under certain special and rare cases.

Besides, due to differences in liquidity of the vehicles or collaterals, 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. If we are unable to bring an enforcement action or to realise any collateral in a timely manner, or at all, it may have a material adverse effect on our financial condition, results of operation and growth prospects.

Although transfer of ownership of leased vehicles is not allowed pursuant to our finance leasing agreements, our customers may, albeit in breach of contract, transfer the ownership of leased vehicles to a third party without our consent.

Pursuant to the relevant laws and regulations of the PRC, motor vehicle owners engaged in road transportation (passenger or cargo transportation) shall apply to the relevant road transportation authority for a road transportation operation licence. The applicant of such licence shall fulfill certain conditions, such as possession of qualified vehicles meeting the demand of its business operations, drivers meeting the requirements as prescribed in the relevant regulations and a sound work safety management system.

Since our Group does not intend to engage in road freight/passenger transportation business, we do not plan to apply for a road transportation operation licence. Approximately 96.6%, 98.1% and 98.9% of the revenue of our vehicle finance leasing business for each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018 respectively were sale and leaseback, the vehicles of which generally require road transportation operation licences and were held by transportation companies. The transportation companies are usually the buyer specified in the vehicle purchasing invoices and are also the owner specified in the “Motor Vehicle Registration Certificate”. Our Directors have confirmed that the above arrangement with the transportation companies is in line with the industry practice.

As such leased vehicles under sale and leaseback are registered under the name of the transportation companies, we are not the owner registered in the “Motor Vehicle Registration Certificate” of our leased vehicles. Although pursuant to the finance leasing agreements

RISK FACTORS

entered into between our Group and our customers, our customers are not allowed to transfer the leased vehicles to a third party without our consent, our customers may still transfer the leased vehicles without our consent, albeit in breach of the finance leasing agreements. During the Track Record Period and up to the Latest Practicable Date, none of our customers has transferred the leased vehicles to third parties without our consent. For vehicles which are not registered under our name and has not been pledged to us due to the reasons as set out in the paragraph headed “Operation workflow – Stage 3: Negotiation and signing” in the section headed “Business” in this prospectus, we may be unable to claim ownership from such third parties (for instance, bona fide third parties purchasing the leased vehicles from our customers) and repossess the leased vehicles. During each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, approximately 0.46%, 2.44% and nil, respectively, of the aggregate net financing amount of our vehicle finance leases originated and entered into during the period was in respect of leased vehicles which were not registered under our name and have not been pledged to us. The above circumstances may have adverse impact on our business, financial condition and results of operation.

Our growth prospects may be limited if we do not successfully implement our future plans.

We devise our future expansion strategies as set out in the paragraph headed “Our strategies” in the section headed “Business” in this prospectus based on circumstances currently prevailing and bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of implementation. Our growth is based on assumptions of future events which include (a) our ability to broaden our financing sources and reduce financing costs; (b) effectiveness of our sales and marketing effort in the highly fragmented and competitive vehicle lease financing industries; and (c) increasing demand for our vehicle finance leasing business in the future. Our prospects must be considered in light of the risks and challenges which we may encounter in various stages of development of our business. If the assumptions which underpin our future expansion strategies prove to be incorrect, our future plans may not be effective in enhancing our growth, in which case our business, financial condition and results of operations may be adversely affected.

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

RISK FACTORS

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 operation and growth prospects could be materially and adversely affected.

Disruptions to our information technology systems could materially and adversely affect our financial condition, results of operation 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 E-Leasing System and GPS online 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 adversely affect our financial condition, results of operation 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.

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

We make provisions for impairment losses on finance lease receivables in accordance with IFRS. Our provision for impairment loss amounted to approximately RMB13.4 million, RMB4.5 million and RMB4.4 million as at 31 December 2016 and 2017 and 30 June 2018, respectively. As our impairment provision under IFRS 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 finance lease receivables, which could significantly reduce our profit and may adversely affect our financial condition, results of operation and growth prospects.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

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

During the Track Record Period, 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》) (the “**Measures of Foreign-funded Lease Industry**”) 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. The Measures of Foreign-funded Lease Industry was abolished on 22 February 2018. 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 operation and growth prospects.

We operate finance leasing business 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 Industry Report, the finance leasing market in the PRC is expected to experience tremendous growth in the next few years. Our competitors mainly comprise commercial banks, vehicle financing companies and vehicle finance leasing 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 operation and growth prospects.

Interest rate changes may materially and adversely affect interest expenses related to our borrowings, reduce net interest income, increase our funding costs and reduce the profitability of our finance leasing 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

RISK FACTORS

in interest rates, or the perception that an increase may occur, could adversely affect our ability to obtain bank loans at favourable interest rates. If we are unable to obtain bank loans at a favourable interest rate or transfer the increased interest expense to our customers, it will decrease our net interest income and could have a material adverse effect on our financial condition, results of operation and growth prospects.

In addition, upon Listing, we will not rely on our related parties to provide funding for the operation of our business. Therefore, it is expected that we will principally rely on bank and other borrowings to operate our business, which may increase our funding costs, especially in the event of interest rate hikes in bank loans. This could have a material adverse effect on our results of operation. As at 31 December 2016 and 2017 and 30 June 2018, the amounts due to our related parties accounted for approximately 28.4%, 14.2% and 0.1% of our total external funding by source. As at the Latest Practicable Date, the amounts due to our related parties were fully settled.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

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

We conduct all of our business and generate all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our financial condition, results of operation and growth prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 has led to a marked slowdown in the economic growth of the PRC. According to the Industry Report, the GDP growth rate in the PRC has slowed down since 2013. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. In addition, the trade war between China and the United States which started since April 2018 may also adversely impact on the PRC's economy. Any significant slowdown in the PRC 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 past due, provision for impairment losses on finance lease receivables and write-offs, all of which would materially reduce our profit before tax;
- 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.

RISK FACTORS

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 the PRC, 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 the PRC.

If the PRC'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 operation and growth prospects would be materially and adversely affected.

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

The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation 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 the PRC laws and regulations may not be definitive. In addition, the PRC 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. The PRC 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, the PRC is 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 the PRC laws may be more difficult to enforce by litigation or arbitral proceedings in the PRC 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 the PRC of an arbitral award obtained in that jurisdiction.

RISK FACTORS

Fluctuations in exchange rates and governmental control over currency conversion may affect the value of your investment and limit our ability to utilise 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 dividends, if any, to holders of our Shares. Under the existing foreign exchange regulations in the PRC, following 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 PRC 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 the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC 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 PRC government and changes in the PRC's and international political and economic conditions. In July 2005, the PRC 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 PRC 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 PRC government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the PRC 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.

RISK FACTORS

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

Some of our Directors and members of our senior management reside in the PRC. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within the PRC. Moreover, the PRC 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 the PRC of the judgment of a non-PRC 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 the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in the PRC.

Furthermore, the PRC 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 the PRC 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

There has been no prior public market for our Shares, and an active trading market may not develop.

Prior to the Share Offer, there was no public market for our Shares. The initial offer price range of our Shares, and the Offer Price, will be the result of negotiations between Emperor Securities (for itself and on behalf of the Underwriters) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or; (ii) if it does, that it will be sustained following completion of the Share Offer; or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your Shares at a price that is attractive to you, or at all.

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

The price and trading volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, amongst others, some of which are beyond our control:

- variations in our results of operation (including our revenue, earnings, cash flows, new investments, and variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our lessees;

RISK FACTORS

- changes in securities analysts' estimates of our financial performance;
- announcements by us of significant acquisitions, developments, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- regulatory or political development;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Future sales or a major divestment of Shares by any of our Controlling Shareholders could adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Share Offer, or the possibility of such sales, by our Controlling Shareholders or strategic investors could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our other Shareholders' best interests.

Immediately following completion of the Capitalisation Issue and the Share Offer, our Controlling Shareholders will, in aggregate, beneficially own 75% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

RISK FACTORS

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatisations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders, other than pursuant to the Deed of Non-Competition (for further details, please refer to the paragraph headed “Deed of Non-Competition” under the section headed “Relationship with Controlling Shareholders” in this prospectus). As such, our Controlling Shareholders’ interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material adverse effect on our Company’s business operations and the price at which our Shares are traded on the Stock Exchange.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources.

This prospectus, particularly the section headed “Industry overview” in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the PRC and the finance leasing industry and markets. Such information and statistics have been derived from various official government and other publications and from a third party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and 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 Bookrunner, the Lead Manager, the Sole Sponsor, 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.

Investors for our Offer Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

One of the benefits to our Company upon Listing is the access to the capital market and our Group may raise additional funds to finance future expansion of our business, operations or acquisitions. Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by issuing new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro rata basis to our then existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

RISK FACTORS

In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary shares are issued upon the exercise of share options under the Share Option Scheme. In this regard, you may experience further dilution in the net tangible asset book value per Share if we issue additional Shares in the future at a price which is lower than the net tangible book value per Share.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and 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 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. In making the decision as to whether to purchase the Shares, investors should rely only on the information contained in this prospectus and should not rely on any other 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 (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information about 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.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer and the listing of the Shares on GEM, which is sponsored by the Sole Sponsor and managed by the Sole Bookrunner and the Lead Manager.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. 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 in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters, any of our or their respective directors, officers, agents, employees or any other persons or parties involved in the Share Offer.

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” of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” of this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

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 (as defined in the GEM Listing Rules). A total of 200,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme).

ABOUT THE SHARE OFFER

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer.

The delivery of this prospectus should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply the information contained in this prospectus is correct as at the date subsequent to the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for application for Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” in this prospectus and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

FULLY UNDERWRITTEN

The Listing is sponsored by the Sole Sponsor and this prospectus is published solely in connection with the Share Offer, which is managed by the Sole Bookrunner and the Lead Manager. Subject to the terms of the Underwriting Agreement including the determination of the final Offer Price by agreement between our Company and Emperor Securities (for itself and on behalf of the Underwriters) on or about the Price Determination Date, the Offer Shares are fully underwritten by the Underwriters under the Underwriting Agreement. For particulars of the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not 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 Offer Shares are offered to the public for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. 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 in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by the Cayman Share Registrar. Dealings in the Shares on GEM will be registered on our Hong Kong branch register of members maintained in Hong Kong by the Hong Kong Branch Share Registrar.

Only Shares registered on our Hong Kong branch register of members maintained by the Hong Kong Branch Share Registrar in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealings in our Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters, our or their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealings in our Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies with the stock admission requirements of HKSCC, our 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 our Shares on GEM or, under contingent situation, such other date as determined by HKSCC. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 12 December 2018.

Our Shares will be traded in board lots of 8,000 Shares each and are freely transferrable. The stock code for our Shares is 8621. We will not issue temporary documents of title.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of RMB into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

$$\text{RMB1.00} = \text{HK\$1.19}$$

No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates or at all.

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 of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

WAIVER AND EXEMPTION FROM COMPLIANCE WITH THE GEM LISTING RULES

In preparation of the Listing, our Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Metropolis Leasing entered into and is expected to continue with transactions which would constitute non-exempt continuing connected transactions subject to reporting, annual review and announcement requirements but exempt from circular and independent Shareholder' approval requirements under Chapter 20 of the GEM Listing Rules, following completion of the Listing. Our Company has applied for, and the Stock Exchange has granted, a waiver from the strict compliance with the announcement requirement under Chapter 20 of the GEM Listing Rules in respect of such continuing connected transactions. Details of such continuing connected transactions and the waiver are set out in the section headed "Connected transactions" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Chau David (alias Mr. Chow Tai Lik) (周大為先生)	Room 3002, Tower 11 168 Shun Chang Road Huangpu District Shanghai China	Chinese
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Ms. Zhou Hui (周卉女士)	Room 102 No. 7, 633 Lane Xi Kang Road Jingan District Shanghai China	Chinese
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Non-executive Director

Ms. Chau On (周安女士)	Suite 2506, Pacific Place Apartments Pacific Place 88 Queensway Hong Kong	Chinese
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Independent non-executive Directors

Mr. Lau Chung Wai (劉仲緯先生)	Flat B, 17/F, Block 2 Harmony Garden Siu Sai Wan Chai Wan Hong Kong	Chinese
------------------------------	---------------------------------------------------------------------------------	---------

Mr. Mo Luojiang (莫羅江先生)	Room 2902 No. 2, 680 Shui Cheng Road Shanghai China	Chinese
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Mr. Lo Kai Tung (盧啟東先生)	Flat 310, 3/F, Po Tai House Ching Tai Court Tsing Yi New Territories Hong Kong	Chinese
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For further information on the profile and background of our Directors, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Octal Capital Limited

*A licensed corporation to carry out type 1
(dealing in securities) and type 6
(advising on corporate finance)
regulated activities under the SFO*
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Sole Bookrunner

Emperor Securities Limited

23/F-24/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Lead Manager

Emperor Securities Limited

23/F-24/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Public Offer Underwriters

Emperor Securities Limited

23/F-24/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Success Securities Limited

Suite 1603-7, 16/F
Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Placing Underwriters

Emperor Securities Limited
23/F-24/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Success Securities Limited
Suite 1603-7, 16/F
Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

Legal advisers to our Company

As to Hong Kong Law
Stephenson Harwood
18th Floor
United Centre
95 Queensway
Hong Kong

As to PRC Law
DeHeng Law Offices (Shenzhen)
11th Floor, Section B
No. 4018, Jintian Road
Futian District
Shenzhen, Guangdong Province
China

As to Cayman Islands Law
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Underwriters

As to Hong Kong Law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to PRC Law

Allbright Law Offices (Shenzhen)

22/F, 23/F, Tower No. 1

Excellence Century Centre

Futian Central District

Shenzhen, Guangdong Province

China

Auditors and reporting accountants

Deloitte Touche Tohmatsu

35th Floor, One Pacific Place

88 Queensway

Hong Kong

Industry consultant

**Beijing Heading Century Consulting
Co. Ltd**

16th Floor, Block D, Tsinghua Tongfang

Science & Technology

Plaza West Tower

1 Wangzhuang Road

Haidian District

Beijing

China

Receiving bank

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in the PRC	Room 7003A 887 Huai Hai Zhong Road Huangpu District Shanghai China
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	18th Floor, United Centre 95 Queensway Hong Kong
Company's website	www.metropolis-leasing.com <i>(Information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Wong Wai Han (黃慧嫻女士) <i>(Practising Solicitor)</i> 18th Floor, United Centre 95 Queensway Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Chau David (周大為先生) Room 3002, Tower 11 168 Shun Chang Lu Huangpu District Shanghai China Ms. Zhou Hui (周卉女士) Room 102 No. 7, 633 Lane Xi Kang Road Jingan District Shanghai China
Compliance officer	Ms. Zhou Hui (周卉女士) Room 102 No. 7, 633 Lane Xi Kang Road Jingan District Shanghai China

CORPORATE INFORMATION

Audit committee	Mr. Lau Chung Wai (劉仲緯先生) (<i>Chairman</i>) Mr. Mo Luojiang (莫羅江先生) Mr. Lo Kai Tung (盧啟東先生)
Remuneration committee	Mr. Mo Luojiang (莫羅江先生) (<i>Chairman</i>) Mr. Lau Chung Wai (劉仲緯先生) Mr. Lo Kai Tung (盧啟東先生)
Nomination committee	Mr. Lo Kai Tung (盧啟東先生) (<i>Chairman</i>) Mr. Lau Chung Wai (劉仲緯先生) Mr. Mo Luojiang (莫羅江先生)
Principal share registrar and transfer officer	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	Octal Capital Limited
Principal bankers	Agricultural Bank of China Limited No. 207 Wu Lu Mu Qi Bei Road Jingan District Shanghai China China Merchants Bank Co. Ltd. 9th Floor, Yueda International Building No. 1118 Changshou Road Putuo District Shanghai China

INDUSTRY OVERVIEW

The information presented in this section is, including certain facts, statistics and data, derived from the Industry 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 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.

SOURCES OF INFORMATION

We have commissioned Heading Century, 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 industry. The Industry Report has been prepared by Heading Century independent of our influence. The fee payable to Heading Century for preparing the Industry Report is RMB400,000, which we consider reflects market rates for similar services. Heading Century is a consulting firm founded in the PRC in 2006. It provides professional industry consulting across multiple industries. Heading Century's services include industry consulting service, information services on the primary market by analysing its data, conducting big data analysis and researches on industry data for venture capital and private equity, and investment services including wealth management, business innovation of investment banks and financial intermediary services. 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 Industry Report and Heading Century is an independent professional consulting company with extensive experience in their profession. Heading Century 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 Heading Century 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. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date on which we obtained the data from Heading Century which may qualify, contradict or have an impact on the information in this section.

ASSUMPTIONS

The Industry Report is mainly based on the following assumptions:

- The growth rate of the world economy would range from 1% to 3%;
- The RMB would fluctuate against US\$ within a range of 5%;
- The consumer price index of the PRC would maintain below 5%;
- The PRC economy would grow at a rate of around 7%;
- The government would provide a stable industrial environment and there would be no major policy changes which may hinder the industry development during 2017 to 2020; and
- The finance leasing industry of the PRC would maintain its development without huge influences from new entrants.

INDUSTRY OVERVIEW

PARAMETERS

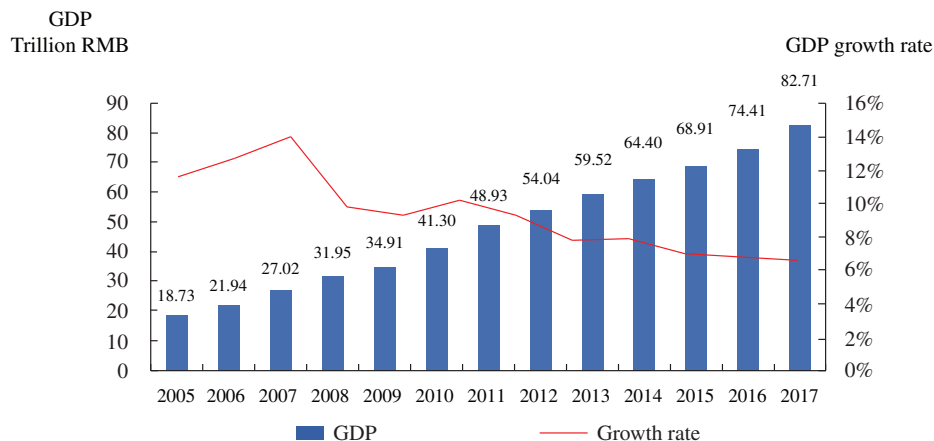
The parameters used in the Industry Report mainly include the following:

- GDP value and GDP growth rate of the PRC;
- Vehicle production and sales volume in the PRC;
- Registered capital of finance leasing companies in the PRC;
- Finance leasing outstanding balances in the PRC;
- New contract amounts of finance leasing in the PRC;
- Sales volume of passenger vehicles in the PRC;
- Sales volume of commercial vehicles in the PRC; and
- Penetration ratio of vehicle finance leasing in the PRC.

OVERVIEW OF THE MACROECONOMIC AND FINANCIAL ENVIRONMENT IN THE PRC

In 2016, the GDP in the PRC reached approximately RMB74.41 trillion. Comparing with the GDP in the PRC in 2009, the compound growth rate of the GDP in the PRC was 9.9%. In 2016, the real growth rate of the GDP in the PRC was 6.7%. As one of the main drivers of world economic development, the PRC contributed to 33.2% of the world economy output¹ in 2016. From 2005 to 2017, GDP in China grew by RMB63.98 trillion, with a compound annual growth rate of 13.18%.

Figure 1: GDP in the PRC in 2005-2017



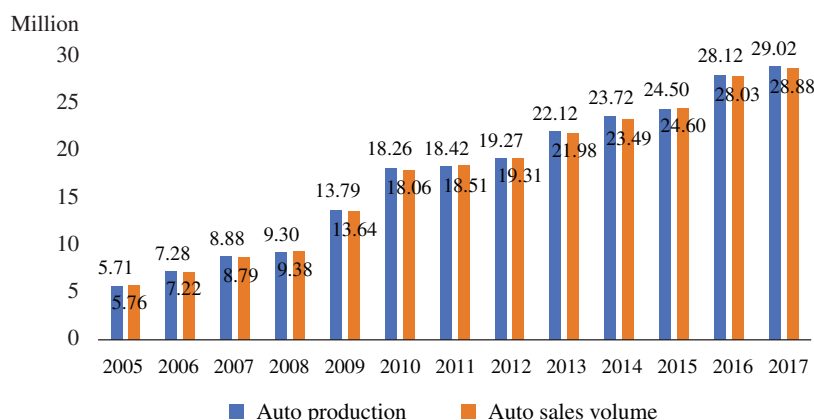
Data source: National Bureau of Statistics of China

The PRC has maintained its top position in sales volume of automobiles all over the world for the eight years since 2009. In 2017, auto production volume in the PRC reached 29.02 million, representing a compounding growth rate of 9.8% since 2009. The automobile sales volume reached 28.88 million in 2017, representing a compound growth rate of 9.8% since 2009.

¹ Data source: International Monetary Fund

INDUSTRY OVERVIEW

Figure 2: Vehicle production and sales volume in the PRC in 2005-2017



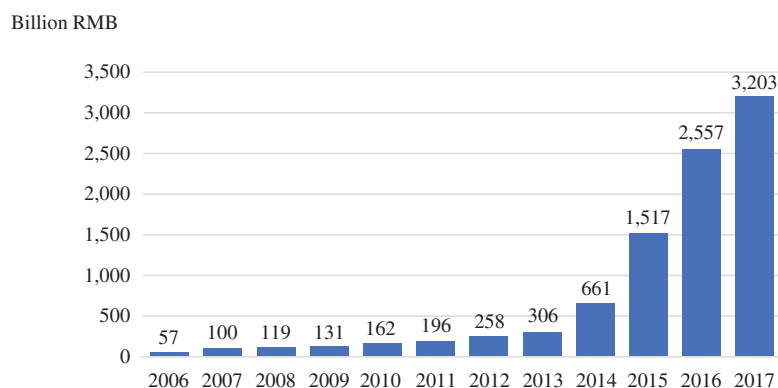
Data source: China Association of Automobile Manufacturers

In 2017, there were 217 million vehicles in use across the country, which increased by 11.9% from 2016. Due to the imbalance in economic development, the demand for automobile in the PRC differs in regions. By the end of 2017, there were 53 cities in the PRC which have more than one million vehicles in use; 24 cities in the PRC which have more than two million vehicles in use; and seven cities in the PRC which have more than three million vehicles in use, namely Beijing municipality, Chengdu, Chongqing municipality, Shanghai municipality, Suzhou, Shenzhen and Zhengzhou.²

OVERVIEW OF THE FINANCE LEASING INDUSTRY IN THE PRC

Between 2006 and 2016, the finance leasing companies operating in the PRC increased from 80 to 7,120 companies. In 2017, the total registered capital of finance leasing companies had reached RMB3,203.1 billion, which increased by 25.3% from that of 2016.

Figure 3: Registered capital of finance leasing companies in the PRC in 2006-2017



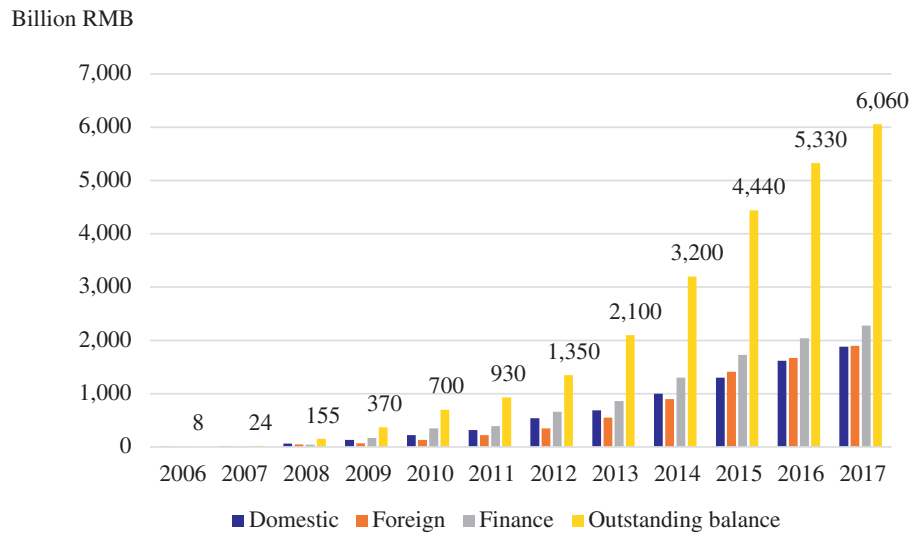
Data source: China Leasing Union, Binhai (Tianjin) Financial Leasing Research Institute

The total outstanding balance of finance leasing contracts in the PRC increased from RMB8 billion in 2006 to RMB6,060 billion in 2017. The compound growth rate was 82.7%.

² *Data source: Traffic Management Bureau of the Public Security Ministry*

INDUSTRY OVERVIEW

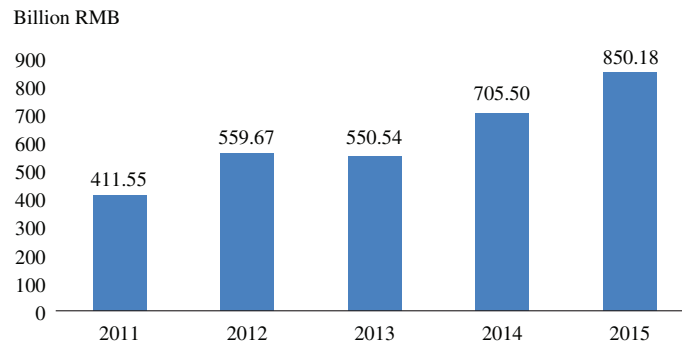
Figure 4: Finance leasing outstanding balances in the PRC in 2006-2017



Data source: China Leasing Union, Binhai (Tianjin) Financial Leasing Research Institute

The new finance leasing contracts amount in the PRC increased from RMB411.55 billion in 2011 to RMB850.18 billion in 2015. The compound growth rate was 16.5%. The PRC has the world's second largest finance leasing market, after the United States of America. The finance leasing penetration ratio in the PRC was 4% in 2015³, which was lower than that of the United States of America (being 22%). It is reasonable to believe there is large potential for future development in the finance leasing market in the PRC.

Figure 5: New contract amounts of finance leasing in the PRC in 2011-2015



Data source: White Clarke Group Global Leasing Report 2012-2017, National Bureau of Statistics of China

OVERVIEW OF THE VEHICLE FINANCING INDUSTRY

Due to the development of the auto industry and the liberalisation of vehicle financing policies, the market size of vehicle financing in the PRC had exceeded RMB850 billion by 2015, the penetration ratio of which was 35%. It is expected that the market size of vehicle financing in the PRC will approach RMB2 trillion by 2020 and the vehicle finance penetration ratio will increase to 50% by 2020.

³ *Data source: White Clarke Group Global Leasing Report 2017*

INDUSTRY OVERVIEW

Currently, the major vehicle finance products in the PRC are vehicle consumption loans (provided by commercial banks and vehicle financing companies), credit card installments (provided by commercial banks) and vehicle finance leasing (provided by vehicle financing companies and vehicle finance leasing companies).

Figure 6: Vehicle finance products in the PRC

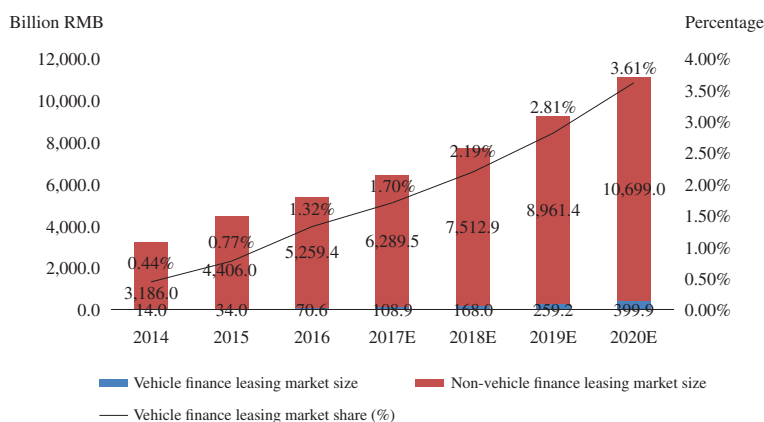
	Commercial banks	Vehicle financing companies	Vehicle finance leasing companies (Note)
Business scope	Provision of banking services such as loans, deposits, wealth management services, investment activities	Dealer loans, retail loans and finance leasing business, but the proportion of finance leasing business is small	Finance leasing business
Regulating authority	China Banking and Insurance Regulatory Commission	China Banking and Insurance Regulatory Commission	China Banking and Insurance Regulatory Commission
Major clients	Individual client; large corporate client	Individual client; auto dealer; general corporate client	Small and medium-sized corporate client
Business channel	Sales network	Auto dealer	Auto dealer; self-development
Service types	Loan Credit card payment by installment	Loan Finance leasing	Finance leasing
Payment term	Fixed	Personalised solutions	Personalised solutions
Down payment	30%-50%	20% to minimum	zero to minimum
Loan period	1 to 3 years	1 to 5 years	1 to 3 years
Tax offsetting arrangement during loan period	No	No	Yes

Note: Our Group is in this category.

As set out in the table above, the major difference between vehicle financing companies and vehicle finance leasing companies is their business scopes.

The size of China's vehicle finance leasing market was RMB14 billion in 2014, and is expected to reach RMB399.9 billion in 2020, with an average annual compound growth rate of 74.8%. The proportion of the vehicle finance leasing market in the finance leasing industry is also expected to increase from 0.44% in 2014 to 3.61% in 2020.

Figure 7: Vehicle finance leasing market size and market share in China in 2014-2020



Data source: China Association of Automobile Manufacturers, China Leasing Union, Binhai (Tianjin) Financial Leasing Research Institute

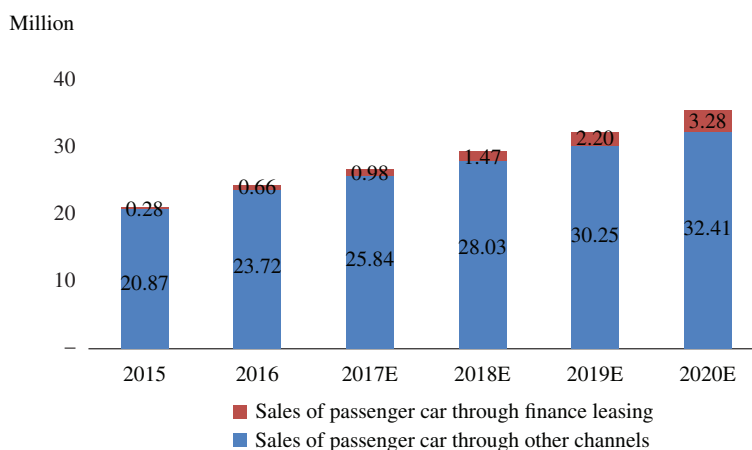
INDUSTRY OVERVIEW

OVERVIEW OF THE VEHICLE FINANCE LEASING INDUSTRY IN THE PRC

1. Passenger vehicle market

Driven by the rapid developments of the vehicle rental market and the online car hailing market, the total sales volume of passenger vehicles through finance leasing was 976,000 in 2017, representing a growth rate of 48.3% compared to 2016. The penetration ratio of finance leasing in passenger vehicles in the PRC has reached 4% in 2017⁴ and is expected to reach 9% by 2020. The total volume of passenger vehicles sold through the finance leasing is expected to exceed 3.28 million by 2020.⁵

Figure 8: Sales volume of passenger vehicles in 2015-2020

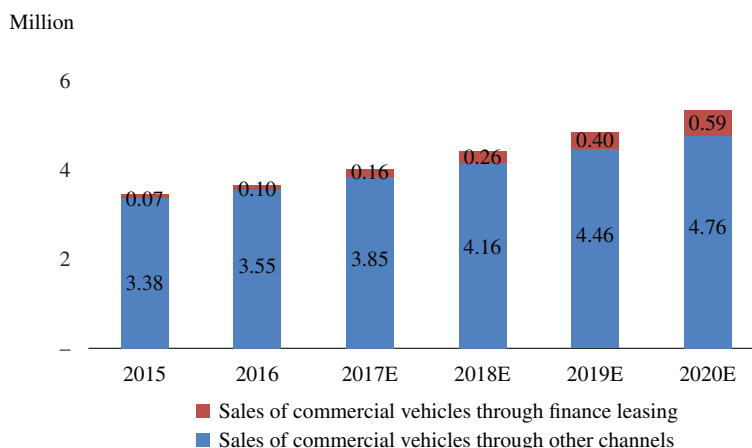


Data source: China Association of Automobile Manufacturers, KK Auto Finance Industry Research

2. Commercial vehicle market

With the development of logistics, tourism, medical, education and other industries in the PRC, the market demand for commercial vehicles has increased rapidly. In 2017, the penetration ratio of finance leasing in commercial vehicles has reached 4%. The number of commercial vehicles sold through finance leasing reached 164,500.⁶ By 2020, the penetration ratio of finance leasing in commercial vehicles in the PRC is expected to reach 11%, representing 587,800 commercial vehicles⁷.

Figure 9: Sales volume of commercial vehicles in 2015-2020



Data source: China Association of Automobile Manufacturers, KK Auto Finance Industry Research

⁴ Data source: China Association of Automobile Manufacturers, KK Auto Finance Industry Research

⁵ Calculated based on data from China Association of Automobile Manufacturers and KK Auto Finance Industry Research

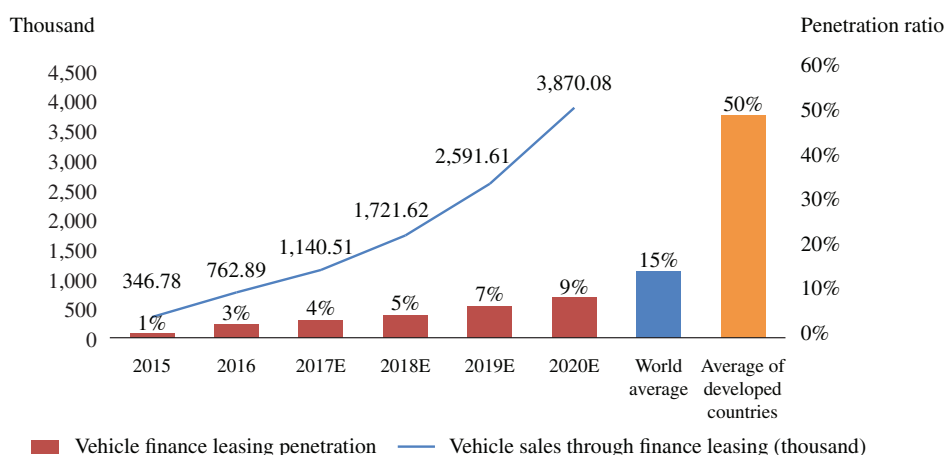
⁶ Calculated based on data from China Association of Automobile Manufacturers and KK Auto Finance Industry Research

⁷ Calculated based on data from China Association of Automobile Manufacturers and KK Auto Finance Industry Research

3. Industrial development trend

Due to the development of the economy in the PRC, vehicle finance leasing is increasingly accepted and utilised by industries and customers in the PRC. The expected vehicle sales volume through finance leasing was expected to be 1,140,500 in the PRC in 2017. The compound growth rate was expected to reach 48.7% from 2015 to 2017. In the meantime, the penetration ratio of vehicle finance leasing in the PRC was expected to reach 4% in 2017 from 1% in 2015, representing a compound growth rate of 58.7% annually.⁸ The commercial banks in the PRC normally impose complicated, lengthy and rigid credit approval process for SMEs and individuals in the PRC, which becomes a barrier for these customers to get access to financing from these banks. This provides an opportunity for vehicle finance leasing service providers as vehicle finance leasing becomes an attractive alternative to the customers when purchasing vehicles.

Figure 10: Penetration ratio of vehicle finance leasing in the PRC in 2015-2020



Data source: China Association of Automobile Manufacturers, KK Auto Finance Industry Research

4. Market drivers of vehicle finance leasing market in the PRC

- (i) **Stable macroeconomic environment:** The stable economy of the PRC and the promising automobile industry has created a favourable environment for the vehicle finance leasing industry.
- (ii) **Growth of downstream industries:** As logistics, tourism, medical, education and other industries have developed rapidly, the flourishing of these downstream industries has increased the demand for vehicles and the need for vehicle finance leasing.
- (iii) **Growth of vehicle rental market:** The flourishing of the vehicle operating lease market and online car hailing services has increased the demand for vehicles and need for vehicle finance leasing.
- (iv) **Flourishing of second-hand market:** The vehicle finance leasing market is expected to expand in terms of the market scope and scale due to the development of second-hand vehicle market due to (a) the improvement in disposable income of the PRC residents in recent years and the high price-performance ratio of second-hand vehicles which make them appealing to consumers who have difficulty to purchase new vehicles; (b) favourable government policies which eliminated complicated procedures in respect of the trading of second-hand vehicles and improved market liquidity; and (c) the advancement of technology which improved the market transparency of second-hand vehicles, such as the use of online trading platforms.

⁸ Calculated using data from China Association of Automobile Manufacturers, KK Auto Finance Industry Research

INDUSTRY OVERVIEW

- (v) **Growth of public-private partnership projects:** Public-private partnership (PPP) projects are projects in which private companies cooperate with the government and participate in the construction of public infrastructure. As the PPP model can relieve pressure on the government's budget, it is expected that the government will carry out more large-scale infrastructure construction under the PPP model. As these infrastructure projects require considerable amount of vehicles such as special purpose vehicles for purposes such as transportation of construction raw materials, finance leasing of vehicles becomes attractive to the construction companies as it can reduce their cash flow risks. Therefore, the increase in PPP projects has promoted the long-term development of the vehicle finance leasing industry.
- (vi) **Improvement of credit system:** Due to the improvement in the credit system, vehicle finance leasing companies can optimise risk management and internal control from external data sources.
- (vii) **Enhancement in awareness and acceptance:** The younger generation, which is the major customer group in the finance leasing industry, is more willing to accept new financial products, such as car loans and finance leasing. Therefore, it is expected that there will be increasing penetration ratio of finance leasing in this customer group.
- (viii) **Favourable government policies:** The favourable government regulations have accelerated the elimination of policy obstacles, the diversification of financing channels and the introduction of new competitors. These industry policies have laid the foundation for the vehicle finance leasing industry in the long run.

Figure 11: Certain favourable industrial regulations regarding vehicle finance leasing

No.	Policy	Contents	Influences to vehicle finance leasing companies
1	Recordation registration of credit asset securitization 《信貸資產支持證券發行實行註冊制》	It replaced the case-by-case approval system of the issuance of securitisation products with recordation registration system.	It promotes credit asset securitisation and further lowers the financial costs of vehicle finance leasing companies.
2	Opinions on financial support for industrial stability, adjustment and profitability 《關於金融支持工業穩增長調結構增效益的若干意見》	It clarifies a series of specific financial policies and measures to support the industrial transformation, cost reduction and efficiency improvement.	It reduces the financing costs and debt burden of enterprises, encourages reduction of down payment ratio for loans for the purchase of new energy vehicles and second-hand vehicles, and increases the loan amount for the purchase of vehicles to support the development of the new energy vehicle industry.
3	Circular on Comprehensively Promoting the Pilot Program of the Collection of the Value-added Tax in lieu of Business Tax 《關於全面推開營業稅改徵增值稅試點的通知》 and Circular on the Stamp Tax Policies relating to Financial Leasing Contracts 《關於融資租賃合同有關印花稅政策的通知》	They provide tax benefits for finance leasing companies and in respect of finance leasing transactions.	These favourable tax policies improve the tax collections and promote the development of the finance leasing industry. As a result, the improvement in the industrial environment will promote business expansion of vehicle finance leasing companies.

INDUSTRY OVERVIEW

No.	Policy	Contents	Influences to vehicle finance leasing companies
4	Guiding Opinions of the General Office of the State Council on Accelerating the Development of Finance Leasing Industry 《國務院辦公廳關於加快融資租賃業發展的指導意見》	It proposes to include finance leasing business in the consideration of overall strategy for the development of national economy, and target to achieve a higher market penetration ratio of the finance leasing market and increase the competitiveness of finance leases enterprises worldwide.	It encourages various financing institutions such as banks, insurance companies and funds to increase their support for finance leasing companies so as to broaden the financing channels of finance leasing companies.

5. Threats to vehicle finance leasing market in the PRC

- (i) **Interest rate risk:** The increase in the interest rate of the interest-bearing borrowing will increase the funding costs of companies involving in the vehicle finance leasing industry as the interest rate of vehicle finance leases are typically fixed during the contract term, hence reducing profitability.
- (ii) **Credit risk:** If the lessee of the relevant leased vehicle defaults his/her/its obligations under the finance lease, the lessor may not able to recover the costs of the leased vehicles.
- (iii) **Property risk:** If the lessee of the relevant leased vehicle illegally disposes of the leased vehicle or if the lessor is unable to enforce its property rights in relation to the leased vehicle, the lessor may not be able to recover the costs of the leased vehicles.
- (iv) **Policy risk:** Changes in laws, regulations and industry policies may affect the development of vehicle finance leasing market. For example, if the government withdraws any tax benefit policies in favour of vehicle finance leasing companies, the profitability of vehicle finance leasing companies will be affected.

6. Recent changes in the political and economical environment of the PRC which may affect the vehicle finance leasing market

- (i) **Recent economic slowdown in the PRC:** Despite the slowdown in economic growth in the PRC, GDP and disposable income is still increasing. According to China Association of Automobile Manufacturers (“CAAM”), the passenger car sales in the PRC for the nine months ended 30 September 2018 was high than that for the nine months ended 30 September 2017 and as at 30 September 2018, the total number of vehicle in use in the PRC had reached 235 million, increasing from approximately 217 million at the end of 2017. The increasing trend of sales of passenger vehicles and the number of vehicle in use in the PRC indicate that the economic slowdown in the PRC has minimal impact on the demand for vehicles in the PRC. Therefore, it is expected that there will be minimal impact on the vehicle finance leasing market in the PRC as vehicle finance leasing can be used as a means to ease the financial burden of individuals and entities that would like to purchase automobiles.
- (ii) **Restriction on vehicle registration in certain cities in the PRC:** Certain cities in the PRC has implemented policies, such as license-plate lottery (車牌搖號) and license-plate bidding (車牌競拍), to limit the number of license plates issued in a year. Although these policies increase the difficulty in obtaining licence-plates in the relevant cities, it has minimal impact on the demand for vehicles since the policies only apply to private cars but not vehicles for business use.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF THE VEHICLE FINANCE LEASING INDUSTRY IN THE PRC

1. Barriers of the vehicle finance leasing market in the PRC

- (i) **Entry barrier:** Vehicle finance leasing companies are strictly supervised by related authorities in qualification of investors, registered capitals, risk management and other operational qualifications.
- (ii) **Professional barrier:** Vehicle finance leasing requires professional services in both automobile industry and the finance leasing industry. With respect to corporate management, the enterprises should have reliable risk management and internal control systems. However, these capabilities require years of experiences working in the vehicle finance leasing industry.
- (iii) **Capital barrier:** The vehicle finance leasing industry is capital-intensive. The vehicle finance leasing companies are greatly challenged in terms of their own capital strength and their external financing capacity, due to the high access thresholds in the minimum registered capital requirements and the capital investment in new transactions.
- (iv) **Reputation barrier:** Since the vehicle finance leasing industry is in its early stage, the vehicle finance leasing market is not transparent. In addition, the consumers are not familiar with the vehicle finance leasing companies. Therefore, vehicle finance leasing companies with better reputation tend to be more preferred by the consumers.
- (v) **Human resources barrier:** Vehicle finance leasing is a combination of various functions in finance, trading and services in the automobile industry and finance leasing industry. Therefore, it usually requires expertise in relevant technical knowledge and business experience.

2. Competitive landscape

Vehicle finance leasing companies in the PRC are expanding their businesses in recent years. Currently, most of the vehicle finance leasing companies are concentrated in large cities and provinces in the PRC such as Beijing municipality, Shanghai municipality and Guangzhou.

Our competitors include commercial banks, vehicle financing companies and other independent vehicle finance leasing companies which operate on various scales. Commercial banks typically focus on individual clients and large corporate clients through its existing network of branches and have a relatively lower capital cost. Vehicle financing companies usually focus on individual customers, auto dealers and corporate customers through the channels of auto dealers and emphasise on the convenience of repurchasing of cars. Vehicle finance leasing companies' customers are usually small and medium-sized corporate customers and other vehicle finance leasing companies are also capable of providing flexible loan scheme design to meet customers' needs.

Figure 12: Different types of vehicle finance leasing companies in the PRC

Type	Company features	Main business
Commercial bank-backed	<ul style="list-style-type: none">• Sufficient capital with low costs• Short credit approval process• High procedure efficiency• Lack of professional experiences in auto financing• Insufficient distribution network and customer satisfaction• Usually being subsidiary of a commercial bank	<ul style="list-style-type: none">• Focus on the financing of large-scale infrastructure construction projects, ships, equipment, etc.• Also provide finance leasing services for auto manufacturers and distributors

INDUSTRY OVERVIEW

Type	Company features	Main business
OEM (original equipment manufacturer)-backed	<ul style="list-style-type: none"> Leasing companies which are established by the vehicle manufacturer Usually being subsidiary of a large-scale auto manufacturer 	<ul style="list-style-type: none"> Provide finance leasing and operating leasing for self-owned brand vehicles for the purpose of selling self-owned brand vehicles Provide maintenance and disposal services of leased vehicles
Dealers-backed	<ul style="list-style-type: none"> Broad sales network Familiar with customer behaviours Usually being subsidiary of an auto dealer 	<ul style="list-style-type: none"> Provide finance leasing services for certain brands of vehicles which have agency contracts with them
Third party (Note)	<ul style="list-style-type: none"> Professional integrated services Rich experience High procedure efficiency Excellent expertise 	<ul style="list-style-type: none"> Provide customised and professional finance leasing services Covers a wide range of vehicles including special purpose vehicles and passenger vehicles

Data source: Deloitte 2015 China vehicle finance report

Note: Our Group is in this category.

3. Competitive advantages of our Group

Our Group is engaged in the vehicle finance leasing business with in-depth understanding of market segments development and market demand. It is devoted to provide intelligent, customised, comprehensive and reliable vehicle finance leasing through the integration of industry chains.

Please refer to the paragraph headed “Our competitive strengths” in the section headed “Business” in this prospectus for further details regarding the competitive strengths of our Group.

REGULATIONS

Our operations are primarily in China. Therefore, our business operation is regulated and supervised by the PRC government. Specifically, the following PRC laws and regulations are material to our business:

- Relevant regulations for finance leasing transaction by foreign-invested enterprises which is closely related to our current business;
- Relevant regulations relating to commercial factoring which is closely related to our business;
- Relevant regulations relating to motor vehicles which will affect our business operation;
- Relevant laws and regulations relating to foreign investments in China which will affect our business development capability in China as a foreign-invested enterprise;
- Relevant laws and regulations for tax and foreign exchange which will affect our operating results and business;
- Employment related laws which will affect our employment expenses.

LAWS AND REGULATIONS RELATING TO FINANCE LEASING

Measures for the Administration of Foreign-funded Lease Industry (Order of the Ministry of Commerce [2015] No. 5) (《外商投資租賃業管理辦法》) (the “**Measures of Foreign-funded Lease Industry**”) was promulgated by the MOFCOM on 3 February 2005 and became effective on 5 March 2005, and was amended on 28 October 2015 to regulate the operation of foreign-invested leasing and finance leasing business. The Measures of Foreign-funded Lease Industry was abolished on 22 February 2018.

The Measures of Foreign-funded Lease Industry applies to the establishment of foreign-invested enterprises by foreign investors such as foreign companies, enterprises and other economic organisations 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 of Foreign-funded Lease Industry, the total assets of the foreign investors of a foreign-funded finance leasing company may not be less than US\$5 million. Foreign-invested finance leasing enterprises must satisfy the following conditions: (1) 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 (2) 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.

Foreign-invested finance leasing enterprises may conduct the following business: (1) finance leasing business; (2) leasing business; (3) purchasing domestic and overseas leased assets; (4) residual disposal of and maintenance of leased properties; (5) consultancy and

REGULATIONS

guarantee of lease transactions; and (6) other business approved by the examination and approval authority. “Finance leasing business” is defined as 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 rents 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 of Foreign-funded Lease Industry, the leasing property shall include: (1) movable properties such as manufacturing equipment, telecommunication equipment, engineering and machinery equipment and office equipment; (2) transportation equipment, such as aircrafts, automobiles and ships; and (3) 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 of the leased properties can qualify as leased properties under a finance lease.

For the purpose of preventing risks and guaranteeing the business operation security, generally, the risk assets of a 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 company, shall not exceed 10 times of the total amount of its net assets.

Notice of Ministry of Commerce on the Promulgation of Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No. 337) (《商務部關於印發<融資租賃企業監督管理辦法>的通知》) (the “**Administrative Measures**”) was formulated by the MOFCOM on 18 September 2013 and became effective on 1 October 2013 to strengthen the regulation over both domestic and foreign-invested finance leasing enterprises.

According to the Administrative Measures, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing enterprises. The Administrative Measures explicitly stipulate the business scope of the finance leasing company. A finance leasing company may conduct its finance leasing activities by way of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing within the limits of applicable laws, regulations and rules. A finance leasing company shall take finance leasing and other leasing businesses as its main business, and may be engaged in the purchase of leased property, disposal of the residual value of and maintenance of leased property, lease transaction consultancy and security services, assignment of amount receivables to a third party institution, receiving the lease deposit and other businesses approved by the approving authority in relation to finance leasing and leasing business. 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 the finance leasing company.

REGULATIONS

According to the Administrative Measures, finance leasing enterprises shall strengthen their internal risk controls, and establish good systems for classifying risk assets, and adopt a credit appraisal system for the lessee, post-pursuing 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. A finance leasing company shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance leasing company shall strengthen the management of its major lessees, control the proportion of business with a single lessee and with lessees that are its affiliates, and pay attention to the prevention and diversification of operational risks. The Administrative Measures also requires the risk assets of a finance leasing company shall not exceed 10 times of the total amount of its net assets.

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.

Circular of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-Funded Finance 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》) (the “**Circular**”) was promulgated and became effective on 11 July 2013. Pursuant to the Circular, for the 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 activities such as taking deposits, offering loans or being entrusted to grant loans; or conduct business such as inter-bank lending and equity investment without approval from relevant authorities. 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. Besides, according to the attachments of the Circular, the registered capital of foreign-invested finance leasing companies shall not be less than US\$10 million.

REGULATIONS

Circular of the General Office of the Ministry of Commerce on Relevant Matters concerning Adjusting the Administrative Management Responsibility about Finance Leasing Companies, Commercial Factoring Companies and Pawnshops (Shang Ban Liu Tong Han [2018] No. 165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》) (the “**Circular on Adjusting**”) was promulgated and became effective on 8 May 2018, announces that the MOFCOM has assigned the authority of formulating rules about business operation, supervision and regulation of finance leasing companies, commercial factoring companies and pawnshops to the China Banking and Insurance Regulatory Commission since 20 April 2018. And it further requires the competent authority for commerce of all places to carry out relevant works.

The Contract Law of the People’s Republic of China (Order of the President of PRC [1999] No. 15) (《中華人民共和國合同法》) (the “**PRC Contract Law**”) was promulgated by the National Peoples’ Congress on 15 March 1999 and became effective from 1 October 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organisations. 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 inspections method of the leased property, the lease term, the composition, payment terms and currency of the rent and the ownership of the leased property upon expiration of the lease. Pursuant to 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. In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The obligation to maintain and repair the leased object while in the possession of the lessee shall be performed by the lessee. 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 the 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. If the parties have stipulated that ownership of the leased property shall vest upon the lessee upon expiration of the lease, and the lessee has already paid most of the rent but is unable to pay the balance, and if the lessor terminates the contract and repossesses the leased property on those grounds, the lessee may demand a partial refund if the value of the leased property repossessed exceeds the rent and any other expenses owed by the lessee.

REGULATIONS

If the lessee becomes bankrupt, the leased property does not become part of the property available for distribution in the bankruptcy. If the leased property fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor shall not be liable, unless the lessees selected the leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

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

Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in Hearing Cases of Finance Lease Contract Disputes (Fa Shi [2014] No. 3) (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》) (the “**Interpretation of Finance Lease Contract Disputes**”) was promulgated by Supreme Peoples' Court on 24 February 2014 and became effective on 1 March 2014. According to the Interpretation of Finance Lease Contract Disputes, where the lessee sells its own property to the lessor and leases the leased item back from the lessor through a finance lease contract, the people's court shall not determine that the legal relation of finance lease is not constituted only on the ground that the lessee and the seller are the same person.

Pursuant to the Interpretation of Finance Lease Contract Disputes, where, during the occupation of the leased item by the lessee, the lessee bears the risk in the loss or damage of the leased item, and the lessor requires the lessee to continue to pay rental, the people's court shall uphold such requirement, unless otherwise agreed by the parties or otherwise specified by the law. Where the finance lease contract is terminated due to the reasons which are not attributable to the parties such as the accidental loss or damage of the leased item after being delivered to the lessee, and the lessor requires the lessee to make compensation according to the depreciation of the leased item, the people's court shall uphold such requirement.

If the finance lease contract is terminated because the sales contract is terminated, confirmed as invalid or rescinded, and the lessor claims, according to the stipulations of the finance lease contract or on the ground that such stipulations of the finance lease contract are absent or unclear but the seller and the leased item are chosen by the lessee, that the lessee compensates relevant loss, the people's court shall uphold such claim.

Real Rights Law of the People's Republic of China (Order of the President [2007] No. 62) (《中華人民共和國物權法》) (the “**Real Rights Law**”) was promulgated on 16 March 2007 and effective as of 1 October 2007. According to Real Rights Law, the creation or transfer of the real rights of a movable takes effect upon delivery, unless otherwise prescribed by any law. In addition, the creation, alteration, transfer or termination of the real rights of any vessel, aircraft, or motor vehicle, etc. may not challenge any bona fide third party even if it is not registered.

REGULATIONS

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

Moreover, the Guiding Opinions supports financial leasing companies to integrate with the internet, intensify the cooperation with banks, insurance companies, trusts, funds, and other financial institutes, and update their commercial models and to broaden the financing channels, actively encourage financial leasing companies to raise funds through the bond market, support qualified financial leasing companies to raise funds by issuing shares, securitising their assets and by other ways.

LAWS AND REGULATIONS RELATING TO MOTOR VEHICLES

Provisions on the Registration of Motor Vehicles (Order of the Ministry of Public Security of the People's Republic of China No. 124) (《機動車登記規定》) was promulgated on 27 May 2008 and amended on 12 September 2012. The vehicle management station of communication administration in public security agencies shall be the registering organs responsible for motor vehicle registration in their administrative areas. The vehicle management station shall register vehicles via computer systems and the registration shall be invalid if it fails to do so. According to the above provisions, For the registered motor vehicle, when the mortgagor (the owner) mortgages the vehicle as collateral, the mortgagor and the mortgagee shall apply for registration to the governing vehicle management station. For cancellation of mortgage registration, the vehicle management station shall record the mortgage cancellation and the date of mortgage cancellation on the motor vehicle registration certificate.

According to *Law of the People's Republic of China on Road Traffic Safety* (Order of the President No. 47) (《中華人民共和國道路交通安全法》) (the “**Road Traffic Safety Law**”) which was promulgated on 28 October 2003 and became effective on 1 May 2004, revised for the first time on 29 December 2007 and revised for the second time on 22 April 2011, and *Implementing Regulations on the Law of the People's Republic of China on Road Traffic Safety* (Order of the State Council [2004] No. 405) (《中華人民共和國道路交通安全法實施條例》) which was promulgated on 30 April 2004 and was effective on 1 May 2004, revised on 7 October 2017, all vehicle drivers, pedestrians, passengers, road traffic activity-related entities and individuals inside the territory of the PRC shall abide by the Road Traffic Safety Law. The State applies a system of registration to motor vehicles. A motor vehicle is not allowed to be driven on the road until it has been registered by the traffic administrative department of the public security organ. If an unregistered motor vehicle needs to temporarily run on road, it shall have a temporary passage certificate. Whoever drives a motor vehicle on road shall hang a

REGULATIONS

motor vehicle plate, place the conformity inspection mark and the insurance sign, as well as bring with him the driving permit for the motor vehicle. In case any of the following circumstances occurs, the corresponding registration shall be made: (1) the ownership of a motor vehicle is transferred; (2) any registered content of a motor vehicle is modified; (3) a motor vehicle is mortgaged; or (4) a motor vehicle is discarded as unserviceable.

The PRC applies a compulsory third party liability insurance system to motor vehicles, and establishes social assistance funds for road traffic accidents.

COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Pursuant to the Company Law of the PRC (Order of the President of PRC No. 8) (《中華人民共和國公司法》) (the “**Company Law**”), the establishment and management of companies in the PRC are governed by the PRC Company Law which was enacted by the Standing Committee of National People’s Congress (the “**Standing Committee**”) on 29 December 1993 and was implemented since 1 July 1994. The Standing Committee amended the PRC Company Law on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies. The PRC Company Law also applies to foreign-invested enterprises. Where laws relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

Law of the People’s Republic of China on Wholly Foreign-owned Enterprises (Order of the President No. 41) (《中華人民共和國外資企業法》) which was promulgated and became effective on 12 April 1986, revised for the first time on 31 October 2000 and the second time on 3 September 2016, and *Detailed Rules for The Implementation Measures on the wholly Foreign-owned Enterprise Law (Order of the State Council of PRC No. 648) (《中華人民共和國外資企業法實施細則》)* which was promulgated and became effective on 28 October 1990, amended for the first time on 12 April 2001 and the second time on 19 February 2014, regulates the establishment procedures, approval procedures, registered capital and corporate structures of wholly foreign-owned enterprises. On 3 September 2016, the National People’s Congress Standing Committee published the *Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the People’s Republic of China (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》)*, which changes the “filling or approval” procedure for foreign investments in China such that foreign investments in business sectors not subject to special administrative measures will only be required to complete a filing instead of the existing requirements to apply for approval. The special entry management measures shall be promulgated or approval to be promulgated by the State Council.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (Order of the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry [2000] No. 6) (《關於外商投資企業境內投資的暫行規定》) (“**Interim Provisions**”) was promulgated on 25 July 2000 and took effect from 1 September 2000 and was revised on

REGULATIONS

26 May 2006 and on 28 October 2015, regulated the investment activities by foreign-invested enterprises in their own name. In accordance with the Interim Provisions, any foreign-invested enterprises that intends to invest and establish a company in the fields of the encouraged category or the permitted category for foreign investment shall register with the registration authority at the place where the investee company is to be located. While any foreign-invested enterprise that invest and establish a company in the fields of the restricted category for foreign investment shall apply to the commerce department at the provincial level of the place where the investee company is to be located for approval and then registered with the commerce and industry department. The foreign-invested enterprises are not permitted to invest in the fields in which foreign investment is prohibited.

The Provisions for Guiding the Foreign Investment Direction (Order of the State Council [2002] No. 346) (《指導外商投資方向規定》) was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the catalogue of industries for guiding foreign investment, which may be revised and promulgated by the relevant departments of the State Council from time to time, while any project not listed in the catalogue is deemed to be a permitted project for foreign investment.

Pursuant to *The Industry Catalogue for Guiding Foreign Investment (Order of the National Development and Reform Commission and the Ministry of Commerce of the People's Republic of China No. 4)* (《外商投資產業指導目錄》) (the “**Foreign Investment Catalogue**”), foreign investment shall also abide by the Foreign Investment Catalogue. The Foreign Investment Catalogue was promulgated on 28 June 1995 and was revised in 31 December 1997, 1 April 2002, 30 November 2004, 31 October 2007, 24 December 2011, 10 March 2015, 28 July 2017 and 28 June 2018. The currently effective Foreign Investment Catalogue classifies industries into three categories: encouraged, restricted and prohibited. Except as otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. Part of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese shareholder as the majority shareholder. Foreign investors shall not invest in industries in prohibited category. MOFCOM and the National Development and Reform Commission jointly promulgated the Special Management Measures for the Access of Foreign Investment (Negative List) (2018) (《外商投資准入特別管理措施》) (負面清單) on 28 June 2018 and effective on 28 July 2018, which specified that the special administrative measures for foreign investment access (negative list for foreign investment access) specified in the Catalogue of Industries for Guiding Foreign Investment (Revision 2017) are repealed simultaneously, while the catalogue of encouraged industries for foreign investment is still valid.

According to the Provisions for Guiding the Foreign Investment Direction and the Foreign Investment Catalogue, the finance lease industry is not listed in restricted or prohibited or encouraged categories, thus the finance lease industry falls into permitted category.

REGULATIONS

LAWS AND REGULATIONS RELATING TO SUPERVISION OVER FOREIGN EXCHANGE

The Renminbi is subject to foreign exchange control and is not freely convertible into foreign currencies. The SAFE is responsible for administering all matters relating to foreign exchange, including the enforcement of the *Administrative Regulations of the People's Republic of China on Foreign Exchange (Order of the State Council of PRC No. 532)* (《中華人民共和國外匯管理條例》), which was promulgated on 29 January 1996 and became effective on 1 April 1996, revised for the first time on 14 January 1997 and for the second time on 5 August 2008. Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE and prior registration with SAFE is made.

Pursuant to *Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (Hui Fa [2013] No. 21)* (《外國投資者境內直接投資外匯管理規定》) which was promulgated on 10 May 2013, became effective on 13 May 2013 and revised on 10 October 2018, specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (Hui Fa [2015] No. 13)* (《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》) was promulgated on 13 February 2015 and came into effect on 1 June 2015, which delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (《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》) was promulgated by SAFE on 30 March 2015 and became effective on 1 June 2015, pursuant to which foreign-invested enterprises in the PRC may, according to their business needs, settle with a bank the portion of foreign exchange capital in their capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the proportion allowed to be settled by a foreign-invested enterprise is tentatively 100%. Furthermore, general foreign-invested enterprises shall be governed by the prevailing provisions on domestic reinvestment if they make domestic equity investment with the capital transfer in the original currency.

REGULATIONS

LAWS AND REGULATIONS RELATING TO TAXATION

Special Tax Regulations

Pursuant to *Announcement from the State Administration of Taxation on Taxation Issues Concerning the Sale of Assets by Tenants in Connection with Financial Sale and Leaseback Transactions* (*Announcement of the State Administration of Taxation [2010] No. 13*) (《國家稅務總局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》) which was promulgated on 8 September 2010 and became effective on 1 October 2010, selling assets by lessees in the sale-leaseback financing business does not fall within the scope collection of Value Added Tax (the “VAT”) and business tax, and therefore shall be exempted from VAT and business tax. Selling assets by lessees in the sale-leaseback financing business shall not be recognised as sales income. The original pre-sale book value of the assets under the financial leasing arrangement shall still be taken as the basis for taxation for accrual of the depreciation provision. During the lease period, the financing interest paid by a lessee shall be deducted as enterprise financial costs before tax.

Pursuant to *Circular on the Stamp Tax Policies relating to Financial Leasing Contracts* (*Cai Shui [2015] No. 144*) (《關於融資租賃合同有關印花稅政策的通知》) which was promulgated and became effective on 24 December 2015, for financial leasing contracts on finance leasing businesses (including sale-leaseback transactions for financing purposes), the stamp duty will be calculated at the rate of 0.005% according to the taxable item “loan contract” based on the total rental indicated in the contracts. For the sales contracts between the lessor and the lessee on sale-leaseback financing businesses, the stamp duty will be exempted.

Dividends

The Arrangement between the Mainland of China and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《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”) was promulgated on 21 August 2006 and revised on 30 January 2008, 27 May 2010 and 1 April 2015. According to the Arrangement, dividends paid by a PRC resident company to a Hong Kong resident company are subject to a withholding tax rate of 5%, provided that such Hong Kong resident company directly holds at least 25% of the equity interests of the PRC resident company. The withholding tax rate of 10% applies to dividends paid by a PRC resident company to a Hong Kong resident company if such Hong Kong resident company holds less than 25% of the equity interests of the PRC resident company. According to *The Notice on the Several Issues of the Implementation of Dividend Clauses of Tax Treaty* (*State Administration of Taxation [2009] No. 81*) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which became effective on 20 February 2009, as provided in dividend clauses in the relevant tax agreement, where a fiscal resident (taxpayer) to the tax agreement directly owns a certain percentage or more (generally 25% or 10%) of the capital of a PRC resident company which pays dividends to such a fiscal resident, dividends obtained by such a fiscal resident may be taxed at a tax rate specified in the tax agreement, and each of the following conditions must

REGULATIONS

be satisfied in order for a taxpayer to enjoy the preferential tax treatments under the tax agreement for dividends received from a PRC resident enterprise where required by a treaty: (1) such taxpayer that receives dividends shall, pursuant to the provisions for the tax agreement, be a company; (2) the taxpayer shall directly hold at least the requisite prescribed proportion of the owner's equity interests and voting shares of the PRC resident company; and (3) the proportion of equities owned by such taxpayer in the PRC resident company shall, at any time within the consecutive 12 months prior to obtaining the dividends, comply with the proportion requirements under the tax agreement.

Enterprises Income Tax

Pursuant to the *Enterprise Income Tax Law (Order of the President of PRC No. 64)* (《中華人民共和國企業所得稅法》), which was enacted on 16 March 2007 and became effective on 1 January 2008, revised on 24 February 2017 and *The Implementation Regulations on the Enterprise Income Tax (Order of the State Council of PRC No. 512)* (《中華人民共和國企業所得稅法實施條例》) which was promulgated on 6 December 2007 and took effect from 1 January 2008, the PRC adopts a uniform income tax rate of 25% for all enterprises in the PRC (including foreign-invested enterprises) and revoke many of the tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises since 1 January 2008.

Value Added Tax

The Temporary Regulations on Value-added Tax (Order of the State Council of PRC No. 538) (《中華人民共和國增值稅暫行條例》) was promulgated on 13 December 1993, and came into effect on 1 January 1994, and was amended on 10 November 2008, 6 February 2016 and 19 November 2017, and *The Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (Order of the Ministry of Finance No. 65)* (《中華人民共和國增值稅暫行條例實施細則》) was came into effect on 25 December 1993, and was amended on 15 December 2008 and 28 October 2011. According to above value-added tax regulations, all taxpayers selling goods, labour services or tangible personal property leasing services or importing goods within the PRC shall pay VAT at the tax rate of 6% or 11% or 17%.

Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》) was promulgated on 4 April 2018, and came into force as of 1 May 2018. The VAT rates are adjusted. To be specific, (1) where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively; (2) the original 11% deduction rate, applicable to agricultural products bought by a taxpayer, will be lowered to 10%; (3) for agricultural products bought by a taxpayer for the production or sales purposes or for processing goods on a commission basis subject to 16% tax rate, the input VAT shall be calculated at the 12% deduction rate; and (4) exported goods, which was originally subject to 17% tax rate and 17% export rebate rate, will be subject to a lower export rebate rate of 16%, while exported goods and cross-border taxable activities, which was subject to 11% tax rate and 11% export rebate rate, will be subject to 10% export rebate rate.

REGULATIONS

The Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No. 110) (《營業稅改徵增值稅試點方案》) was promulgated by the Ministry of Finance (the “MOF”) and the State Administration of Taxation (the “SAT”), the State began to launch taxation reforms in a gradual manner with effect from 16 November 2011, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries. According to the *Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36)* (《關於全面推開營業稅改徵增值稅試點的通知》) was promulgated on 23 March 2016 and became effective on 1 May 2016, and was amended on 1 July 2017 and 1 January 2018, the VAT pilot program will be extended to the whole country. Business tax payers in the industries of building, real estate, financial and life service will be included into the scope of the VAT pilot program. Entities and individuals that engage in sales of service, intangible assets or immovable properties in the territory of China are taxpayers of VAT and shall pay VAT instead of business tax. The VAT rate to be imposed on (1) taxable activities of taxpayers shall be 6%, except as specified in items (2), (3) and (4); (2) provisions of services related to transportation, mail, basic telecommunications, constructions, real estate leasing, sales of real estate, and transfer of land use rights shall be 11%; (3) provision of leasing services for tangible assets movables shall be 17%; and (4) cross-border taxable activities conducted by domestic entities and individuals shall be 0%. The specific scopes shall be further provided by the MOF and the SAT. The VAT levy rate shall be 3% unless otherwise specified by the MOF and the SAT.

If the actual VAT burden on a pilot general taxpayer engaged in finance lease upon approval of the People’s Bank of China, the China Banking Regulatory Commission (now the China Banking and Insurance Regulatory Commission, because the duties of the China Banking Regulatory Commission and China Insurance Regulatory Commission have been integrated and brought under the China Banking and Insurance Regulatory Commission since March 2018), or the Ministry of Commerce for the tangible personal property finance leasing services and tangible personal property financing sale-leaseback services provided by it is more than 3%, such VAT will be refunded upon collection thereof. Although the VAT rates have been adjusted by the *Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* since 1 May 2018, the actual VAT burden on us for providing the tangible personal property finance leasing services and tangible personal property financing sale-leaseback services is still 3% (any VAT burden more than 3% will be refunded upon collection thereof).

REGULATIONS

LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION IN CHINA

Pursuant to *Labour law of the PRC (Order of the President of PRC No. 18)* (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of the National People's Congress on 5 July 1994, came into effect on 1 January 1995 and was amended on 27 August 2009, the employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Pursuant to the *Labour Contract Law of the PRC (Order of the President No. 73)* (《中華人民共和國勞動合同法》), which became effective on 1 January 2008 and was amended on 28 December 2012, employers and employees shall enter into written employment contracts to establish their employment relationship. The employment contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment, conditions to terminate the employment contracts and other issues required by laws and regulations to be included in the employment contract. *The Law on Social Insurance (Order of the President of PRC No. 35)* (《中華人民共和國社會保險法》) was promulgated on 28 October 2010 and was effective from 1 July 2011, *the Regulations on the Administration of Housing Provident Funds (Order of the State Council of PRC [2002] No. 350)* (《住房公積金管理條例》), which was promulgated and became effective from 3 April 1999 and was amended on 24 March 2002, and other relevant PRC laws and regulations require an employer to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to demand full payment within a prescribed period.

OUR HISTORY

Our Group was founded by Mr. Chau David, our Chairman, executive Director and chief executive officer with the establishment of Metropolis Leasing in October 2009. The establishment of Metropolis Leasing was financed by the personal financial resources of Mr. Chau David and his family resources. To establish Metropolis Leasing, Mr. Chau David engaged market researchers to conduct market research on the finance leasing industry in the PRC with a view to identifying potential business opportunities in the industry. With reference to the market research findings, Mr. Chau David formulated the business strategies and development plans of Metropolis Leasing together with Ms. Zhou Hui, who is our executive Director and joined our then management team in September 2010. While starting the business of Metropolis Leasing, the then management team considered and explored different business opportunities in the finance leasing industry, and at the beginning, Metropolis Leasing was mainly engaged in providing machinery and equipment finance leasing to our customers. Having considered that there was rapid economic development in the PRC in the last decades, in particular, the development of logistics, tourism and other industries, our then management team believed that the demand for commercial vehicles would have increased rapidly which led to the business opportunities of the vehicle finance leasing market. Hence, our then management team, under Mr. Chau David's leadership, had gradually and strategically allocated resources in developing vehicle finance leasing business since 2011 and decided to expand Metropolis Leasing's business operation by establishing branch offices in a few provinces. For details of our establishment of branch offices, please refer to the paragraph headed "Our key business milestones" in this section. Furthermore, in 2014, Mr. Li Shun and Mr. Yuan Xiaobing, our senior management joined our Group, who played a vital role in our operations and assisted us in formulating and implementing appropriate strategies for business growth. For details relating to the background and experience of Mr. Chau David and Ms. Zhou Hui, our executive Directors, Mr. Li Shun and Mr. Yuan Xiaobing, our senior management, please refer to the paragraphs headed "Executive and non-executive Directors" and "Senior management" in the section headed "Directors and senior management" in this prospectus. We mainly provide finance leasing in the PRC, focusing on vehicle finance leasing.

We established Metropolis Leasing in Shanghai as our headquarters, and we later set up branch offices and liaison offices in various provinces. As at the Latest Practicable Date, we had five branch offices located in Shanghai municipality, Jiangsu province, Guizhou province, Shandong province and Jiangxi province in the PRC. At the commencement of operation of Metropolis Leasing, we provided finance leasing in the PRC, including vehicle finance leasing and machinery and equipment finance leasing to a number of our corporate customers. During the Track Record Period, we strategically allocated more of our resources on vehicle finance leasing after taking into account the low market penetration ratio of vehicle finance leasing in the PRC and the increasing acceptance of finance lease as a mode of financing for vehicle purchases in the PRC, as we believe we could capitalise on the growth potential in the vehicle finance leasing market. In February 2016, we amended our business scope to include factoring business relating to our finance leasing business.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR KEY BUSINESS MILESTONES

The following events are the key business and corporate development milestones of our Group:

Year	Event
2009	Establishment of Metropolis Leasing with the headquarters in Shanghai
2012	Metropolis Leasing established business operations with branch office in Guizhou province
2013	Metropolis Leasing established business operations with branch office in Shandong province and Jiangsu province
2014	Metropolis Leasing established business operations with branch office in Jiangxi province
2015	Metropolis Leasing cooperated with an external computer software provider to set up the E-Leasing System which allows us to manage each customer's portfolio efficiently by controlling the overall vehicle finance lease operation in our internal system
2016	Expanded our scope of business to include factoring business relating to our finance lease business
2017	Entered into a factoring agreement with an independent third party in relation to vehicle finance leasing whereby we have agreed to purchase finance lease receivables assets under a portfolio of 119 vehicle finance leasing agreements Entered into finance leasing agreements with two independent auto dealers in relation to providing inventory finance leasing for luxury cars of international well-known brands Metropolis Leasing was appointed as the council member of Shanghai Leasing Trade Association (上海市租賃行業協會理事單位) Metropolis Leasing was appointed as the member of China Association of Automobile Manufacturers (中國汽車工業協會會員)
2018	Metropolis Leasing was appointed as the council member of China Automobile Dealers Association (中國汽車流通協會理事單位)

OUR CORPORATE DEVELOPMENTS

We set out below the corporate history and the changes in shareholding of members of our Group:

Metropolis Asia

Metropolis Asia was incorporated in the BVI as a limited liability company on 25 May 2009 and was authorised to issue a maximum of 50,000 no par value shares of a single class and series, of which 35,000 fully-paid shares was issued to View Art and 15,000 fully-paid shares was issued to Wisdom Allies International Limited, a company wholly owned by one of the directors of Metropolis Leasing. On 10 May 2011, the 15,000 shares held by Wisdom Allies International Limited were transferred to View Art at a consideration of US\$1 and as a result, View Art owned 50,000 shares of Metropolis Asia, being the entire issued shares of Metropolis Asia. As confirmed by our Directors, the transfer was properly and legally completed and settled.

Metropolis Asia is an investment holding company in our Group holding the entire issued shares of Metropolis Hong Kong and not currently engaged in any business activity.

Metropolis Hong Kong

Metropolis Hong Kong was incorporated in Hong Kong as a limited liability company on 18 June 2009 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were issued to Metropolis Asia.

Metropolis Hong Kong is an investment holding company in our Group holding the entire equity interest in Metropolis Leasing and not currently engaged in any business activity.

Metropolis Leasing

Metropolis Leasing, the operating entity of our Group, was established as a limited liability company in the PRC on 20 October 2009 with an initial registered capital of US\$20,000,000. On 17 December 2012, the registered capital of Metropolis Leasing was increased to US\$50,000,000, of which the remaining US\$24,000,000 will be paid up within 10 years from 16 October 2014. Metropolis Leasing was established as a wholly foreign owned enterprise and wholly owned by Metropolis Hong Kong since its establishment.

The business scope of Metropolis Leasing is providing finance leasing, leasing, purchase of properties for lease, fleet management and maintenance, lease consultation services and guarantees and commercial factoring related to finance leasing in the PRC.

REORGANISATION

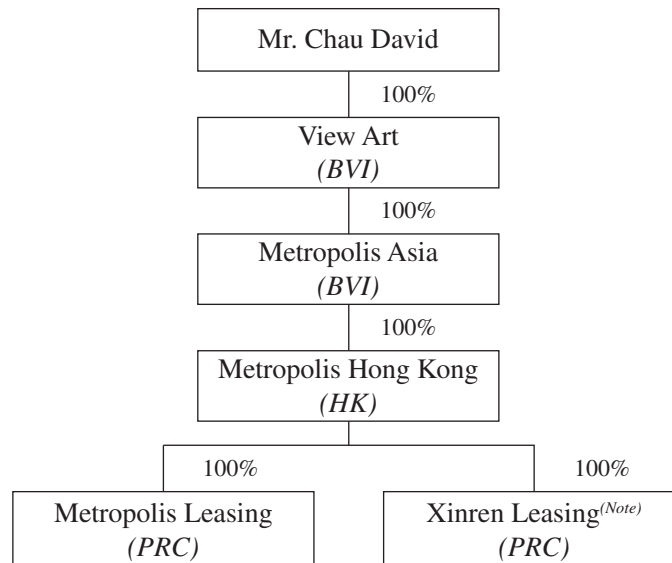
We reorganised our corporate structure in preparation for, and in connection with the Listing. Following completion of the Reorganisation, our Company becomes the holding company of our Group. The steps of Reorganisation are set out below.

1. Xinren Leasing was a limited liability company established in the PRC on 16 June 2014 and wholly owned by Metropolis Hong Kong immediately prior to the Reorganisation with an authorised share capital of US\$30,000,000, all of which has not been paid up. As Xinren Leasing has not carried out any business activities since its establishment, and for the purpose of streamlining the corporate structure of our Group, Metropolis Hong Kong, the sole shareholder of Xinren Leasing decided to deregister Xinren Leasing as part of the Reorganisation. The deregistration process was completed on 30 October 2017.
2. On 29 June 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of the incorporation, our Company had an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On 29 June 2017, one fully-paid Share was allotted to an initial subscriber, an Independent Third Party, which was then transferred to View Art at par value on the same day.
3. On 22 August 2017, the maximum number of shares which Metropolis Asia is authorised to issue was increased from a maximum of 50,000 no par value shares of a single class and series to a maximum of 100,000 no par value shares of a single class and series. After the foregoing taking effect, Metropolis Asia was authorised to issue a maximum of 100,000 no par value shares of a single class and series. View Art owned 50,000 shares in Metropolis Asia, being the entire issued shares.
4. On 8 March 2018, our Company acquired the entire issued shares of Metropolis Asia from View Art. The consideration was satisfied by the allotment and issuance of 49,999 Shares credited as fully-paid to View Art.
5. On 23 November 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares, each ranking pari passu with our shares then in issue in all respects.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

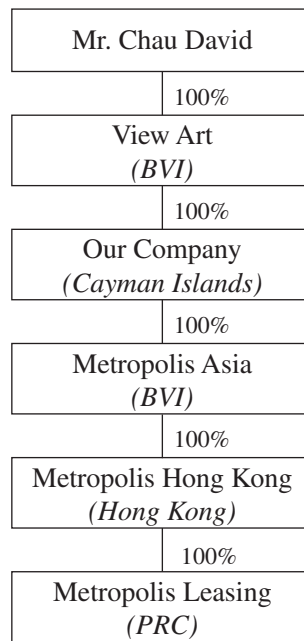
SHAREHOLDING AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately prior to the Reorganisation is set out as below:



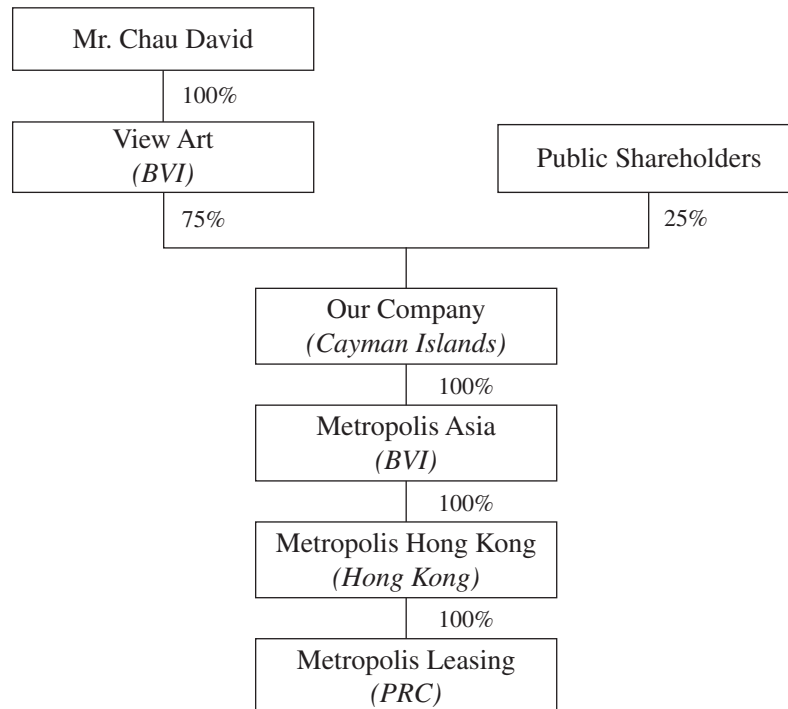
Note: The deregistration process was completed on 30 October 2017.

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but prior to the Capitalisation Issue and the Share Offer is set out as below:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to exercise of any option that may be granted under the Share Option Scheme) is set out as below:



1. OVERVIEW

Established in 2009, we are a well-established finance leasing company in the PRC focusing on vehicle finance leasing. We primarily provide customised vehicle finance leasing to our customers. Headquartered in Shanghai, we had five branch offices in the PRC as at the Latest Practicable Date. Prior to the Track Record Period, besides vehicle finance leasing, we also provided machinery and equipment finance leasing to a number of corporate customers. Taking into account factors such as the low market penetration ratio of vehicle finance leasing in the PRC and the increasing acceptance of finance lease as a mode of financing for vehicle purchases in the PRC, we believe there was growth potential in the vehicle finance leasing market. Therefore, since the commencement of the Track Record Period, we have strategically allocated more of our resources in developing our vehicle finance leasing business and expanding our vehicle finance leasing portfolio. According to the Industry Report, the market penetration ratio of both passenger vehicles and commercial vehicles finance leasing in the PRC was only 4% in 2017. Driven by the rapid development of the car rental market, and development of construction, logistics, tourism and education industries for commercial vehicles, it is expected that the market penetration ratio of passengers vehicles and commercial vehicles finance leasing in the PRC will reach 9% and 11% by 2020 respectively according to the Industry Report.

During the Track Record Period, other than the finance lease agreements with Xin You in relation to leasing of elevators which are due to expire by 2020, we have not entered into any new machinery and equipment finance leasing agreements despite we continue to receive lease receivables under the machinery and equipment finance leasing agreements entered into prior to the Track Record Period. As at the Latest Practicable Date, all our machinery and equipment finance leasing agreements, except the finance lease with Xin You, have ended.

We categorise our vehicle finance leasing into (i) direct finance leasing; and (ii) sale and leaseback. Direct finance leasing generally involves leasing of vehicle acquired by us from a vehicle dealer prior to the lease transaction. Sale and leaseback generally involves leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer and which is then transferred to us prior to the lease transaction.

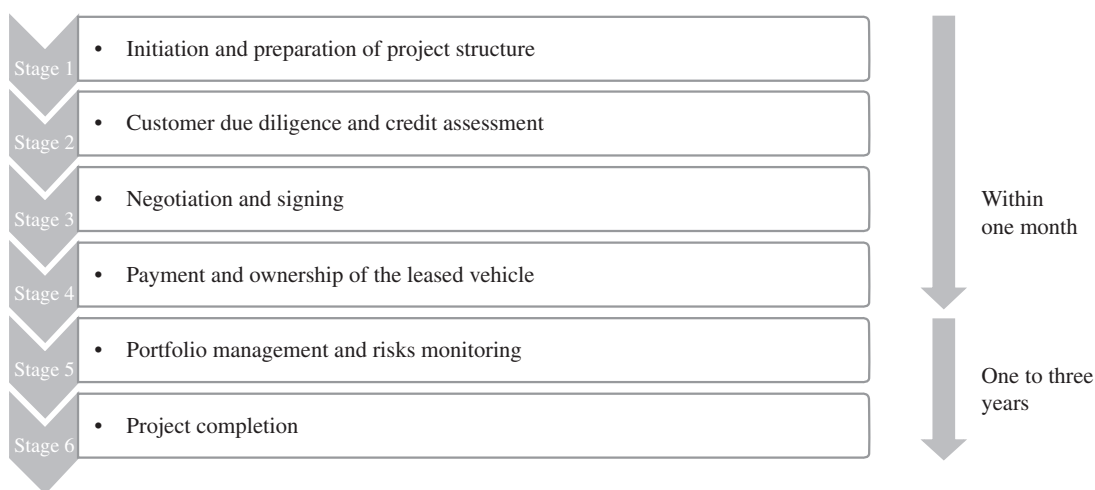
The vehicles under our finance leases can be divided into (i) commercial vehicles; and (ii) passenger vehicles. Commercial vehicles refer to vehicles which are primarily used for transportation of goods and cargoes or transporting more than nine passengers, including trucks, shuttle buses, coaches, tractor units and dump trucks. Passenger vehicles refer to vehicles which is used for transporting not more than nine passengers, such as sedans, sport utilities vehicles and multi-purpose vehicles.

BUSINESS

The following table sets forth a breakdown of the revenue of our vehicle finance leasing business during the Track Record Period:

	The year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	(unaudited)							
Direct finance leasing	1,359,918	3.4	913,031	1.9	508,053	2.0	285,675	1.1
Sale and leaseback	38,528,293	96.6	46,926,537	98.1	24,478,277	98.0	24,653,750	98.9
Total	<u>39,888,211</u>	<u>100.0</u>	<u>47,839,568</u>	<u>100.0</u>	<u>24,986,330</u>	<u>100.0</u>	<u>24,939,425</u>	<u>100.0</u>

We have adopted a systematic operational workflow for our vehicle finance leasing operation. Under the workflow, we applied various risk management measures to control the risks involved. The following chart sets out the typical workflow of our vehicle finance leasing business operations:



We differentiate ourselves by being able to provide flexible and accessible finance leasing solutions to our customers which suit their needs. The senior staff of our business operation department possess an average of 10 years of experience in vehicle-related industries. As such, they are able to understand the concerns of our customers. Under their leadership, we are able to offer customised advice to our customers not only in respect of their financial needs, but also in areas such as the type of vehicles they should purchase based on the intended usage, choices of different types of insurances, and we are also able to propose a variety in the duration and other terms of the finance lease. Besides, we are committed to provide efficient services to our customers by use of information technology, such as the E-Leasing System which allows us to control the overall finance lease operation in our internal system. Compared to traditional financing providers such as commercial banks, we believe that our finance leasing arrangement not only provides an alternative source of financing to them which may not be available from commercial banks, it is also appealing to our potential customers as it provides more flexibility in respect of the terms of the financing arrangement and is of higher efficiency during the application and approval process.

We believe our rapid growth and our reputation in the market is also largely attributable to our prudent risk management and internal control processes. Our risk management system is tailored to the characteristics of our business operations and focused on managing risks through comprehensive customer due diligence and multi-level approval and on-going monitoring processes. We aim to identify any potential default of our customer and take immediate remedial action to enhance the security of our assets at an early stage and on a continuing basis. Please refer to the section headed “Risk management” in this prospectus for further details of our risk management and internal control processes.

We intend to become a leading finance leasing company in the PRC specialising in vehicle finance leasing and expand the size of our finance leasing portfolio, achieve deeper market penetration within our existing service network and expand the scope of our business to include more value-adding services such as provision of market information, analysis on market competition. After gaining experience through continual improvement in our business operations, we are confident that with our well-developed business model and premier corporate brand, we are able to seize the opportunities in the growing PRC vehicle finance leasing industry and generate attractive financial returns for our Shareholders. In the long run, we intend to continue capitalising on our expertise and experience in the finance leasing and vehicles industries to provide fleet management solutions to our existing and potential customers and assist them in building tailored fleets and to optimise their business and management processes. Since late 2017, we have diversified our customer base by providing inventory finance leasing to auto dealers for luxury cars of internationally well-known brands.

2. OUR COMPETITIVE STRENGTHS

We believe our rapid growth and strong market position are largely attributable to the following principal competitive strengths:

We provide customer-focused finance leasing to our customers

According to the Industry Report, we are among the early starters in the PRC to engage in finance leasing business and we have excellent reputation in the industry among our customers and car dealers. We have a marketing department for promoting customer awareness of our brand nationally. Leveraging on our extensive experience in vehicle finance leasing for commercial vehicles and passenger vehicles and our talented staff who are familiar with the vehicle and road freight/passenger transportation industry, we are able to understand the needs of different customers and offer our customers with flexible finance leasing solutions catering their different needs, for example, we are able to offer practical advice to our customer in relation to the type of vehicle and/or the facilities inside the vehicle which are suitable for the customer's intended usage of the leased vehicle, and we provide finance leasing on a wide range of vehicles. We also offer advice to our customers in relation to the term of the finance leasing agreements which suit their financial position. We believe that with our close relationships with customers and the extensive knowledge of our staff in the road freight/passenger transportation industry, we are able to offer useful advice to our customers who are engaged in the management of road freight/passenger transportation fleet, for example, functionality and performance of different types of vehicles, the use of GPS devices to assist in the management of fleet of cars, choices of insurance types, etc. so that our customers can effectively monitor their road freight/passenger transportation fleet and to optimise their business and management processes. We believe that through providing customised finance leasing solutions, we are able to differentiate ourselves among our competitors, further deepen our customer relationships and develop stronger customer loyalty as well as to attract new customers through our reputation in the industry.

We provide accessible and flexible financing solutions to our customers to bridge their financing needs

According to the Industry Report, expansion and development of downstream industries and services such as logistics, tourism and online car hailing services and the development of the commercial vehicle industry in the PRC over the years has created a growing demand for funding. For small to medium size enterprises with funding requirements, compared with traditional bank loans, finance leasing often offers a less rigid application process and a more flexible financing solution in terms of interest rate, payment timetable and duration of the loan. We believe our vehicle finance leasing provide a more accessible and flexible alternative source of financing for our customers to assist them to bridge their short term to medium term financing needs when compared to traditional bank loans. In addition, under our finance leasing arrangements, as we are entitled to the ownership rights of leased vehicles until lease payments are settled in full, we believe the extent of our credit risk exposure in the event of default is relatively low and we seldom require our customers to provide additional collaterals for their finance leases. We believe this could enhance the attractiveness of our finance leasing which could in turn have a positive effect on our business.

We are committed to provide efficient services to our customers by our information technology system

We believe that we are able to differentiate ourselves among our competitors by using an advanced information technology system designed based on our business needs to manage our business and our customers portfolio. Since March 2015, we have been cooperating with an external computer software provider to set up the E-Leasing System. Based on the principle of enterprise resource planning (ERP), the E-Leasing System allows us to manage and monitor each customer's portfolio efficiently by controlling the overall finance lease operation in our internal system. Under the E-Leasing System, we create a portfolio for each new customer. This can help us maintain an updated database regarding our network of customers as well as the history of our relationships with each of them. Data and features available in our E-Leasing System enable us to efficiently assess customer information, shorten the time required for us to process applications from customers, conduct pre-lease assessments and provide more readily available information for us to tailor different finance structures for our customers. Besides, under the E-Leasing System, we can easily monitor the payment performance of our customers in our internal system and reduce the hassle of circulating physical documents and minimise the risk of human errors. We believe that these features of the E-Leasing System are important to enhance our efficiency in providing services to our customers and to develop stronger customer loyalty, for example, we strive to provide the finance leasing proposal to our customer within approximately one working day after our initial contact with them, and to complete the pre-lease credit assessment process within approximately one working day after we have obtained all the necessary due diligence documents from our customer.

We are continuously expanding the functionality of our E-Leasing System. Recently, the E-Leasing System was upgraded to enable us to send notifications/payment reminders to the mobile phones of our customers three days before the payment due date.

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. Our risk management system is tailored to the characteristics of our business operations and focused on managing risks through comprehensive customer due diligence, multi-level approval and on-going monitoring processes. All finance leasing transactions are reviewed by the legal department prior to signing of transaction documents with our customers by our business operation department. Our asset management department and business operation department review the leased vehicle on a regular basis, including performing on-site visit to inspect the status of the leased vehicle, reviewing the activity and location of the leased vehicles through our GPS online system. We believe this continuous monitoring process enables us to identify any potential default of our customer and take remedial action to enhance the security of our assets at an early stage.

As mentioned above, we have adopted the E-Leasing System which enhances our capability in risk management and overall efficiency during the lease approval process. We believe that our comprehensive risk management and internal control procedures allow us to continue to develop our business healthily while minimising the potential risk faced by us during our expansion. Please refer to the section headed "Risk management" in this prospectus for further details.

We have an experienced management team supported by proficient frontline staff

Our capable and experienced management team contributed to our growth and continued success to a large extent. Most of the members of our management team and senior staff of our business operation department have served with automotive companies and/or other finance leasing companies prior to joining our Group. Such experience can enhance their understanding of the vehicle finance leasing industry, bring a strong base of knowledge to our day-to-day operations, and set up a foundation for the sustainable development of our Group. We believe that our management team's in-depth knowledge in the vehicle finance leasing industry, supported by a dedicated frontline workforce, can enable us to respond efficiently to various challenges from the changing market conditions.

Our management team, not only has in-depth knowledge in vehicles and/or vehicle finance leasing industry, but has also built an extensive network within the industry and maintained good relationships with our business partners, such as vehicle dealers in the PRC. We believe that our existing relationships with vehicle dealers are beneficial to us when we explore new business opportunities with them or new business partners in the future, thereby broadening our income stream and increasing our market share.

We provide our employees with trainings to equip them with the necessary skills and knowledge for them to duly perform their duties. For example, we provide induction trainings to all new staff including trainings on vehicle specification, finance leasing classification, customer services and credit assessment. We believe that a dedicated workforce with solid base of the necessary knowledge and skills will enable us to continue to capture the growing opportunities in the vehicle finance leasing industry.

3. OUR STRATEGIES

Our principal business objective is to become a leading vehicle finance leasing service provider in the PRC by pursuing the following key strategies:

Expand the size of our finance leasing portfolio and achieve deeper penetration within our existing service network

Over the last eight years, we have established our brand name and developed business relationship with customers in a growing number of regions in China. As at 30 June 2018, we have customers covering more than five provinces, municipalities and autonomous region in China. The outstanding finance lease receivables of our finance leasing agreements as at 30 June 2018 was approximately RMB289.3 million. According to the Industry Report, the market penetration ratio of both passenger vehicles and commercial vehicles finance leasing in the PRC was only 4% in 2017 and it is estimated that the total number of passenger vehicles and commercial vehicles in the PRC which involve finance leasing will exceed 3.28 million and 0.59 million by 2020 with a market penetration ratio of 9% and 11% respectively. Considering the low market penetration ratio of vehicle finance leasing in the PRC and the increasing acceptance of finance lease as a mode of financing for vehicle purchases in the PRC, we intend to capitalise on the growth potential in the market and further expand our finance leasing portfolio and our customer base through both offline marketing efforts and the use of online platforms.

According to the Industry Report, with the innovation in internet technology and the change in travelling preferences of the PRC residents, the online car hailing market in the PRC has experienced a rapid growth in recent years. As at 30 June 2018, eight of our corporate customers are engaged in the operation of passenger car fleets under cooperation with online car hailing platforms. For each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, we generated revenue of RMB5.6 million, RMB8.0 million and RMB4.1 million from our customers which were engaged in the operation of passenger car fleets under cooperation with online car hailing platforms. According to the Industry Report, the number of online car hailing users was approximately 495.3 million in June 2017, representing an increase of approximately 76.7% compared to that in June 2016. Under the backdrop of the growing trend of online car hailing services, we intend to capitalise on the growth potential of the online car hailing market by enhancing cooperation with these potential customers. In the long run, we hope that through strengthening our relationships with these car fleets operators and assisting them in managing their car fleets, for example, by providing professional advice and financing solutions to them in relation to resale of old fleet vehicles and purchase of new fleet vehicles, we will be able to develop steady revenue source to our Company and in turn be beneficial to our financial performance and our growth.

In addition, according to the Industry Report, with the development of the national economy, the PRC government has encouraged the expansion of transportation and logistics between the urban and rural areas and there has been an increase in investments in infrastructure construction and highways in the past few years. It is expected that the coverage ratio of courier services to rural areas in the PRC will increase from approximately 70% in 2015 to more than 90% by 2020, thereby increasing the demand of trucks, tractor units and dump trucks which are used for courier services. Coupled with the increase in disposable income of PRC citizens and the increasing attention on pre-primary education, there has been an increase of domestic tourists and pre-primary schools over the past decade which in turn led to an increase in the demand for coaches, shuttle buses, school buses and family cars. We intend to capitalise the growth potential of these industries by enhancing our cooperation with our existing customers in certain industries including construction, logistics, tourism and education, and to expand our customer base through various sales and marketing channels. Please refer to the paragraph headed “Sales and marketing” in this section for details.

According to the Industry Report, the new energy vehicles market in China has expanded since 2015 alongside the favourable government policies and supportive measures. It is expected that the sales of new energy vehicles in the PRC would account for approximately 20% of the total sales of vehicles by the end of 2025. We believe that those favourable government policies will drive the demand for new energy vehicles which in turn would increase the demand for our vehicle finance leasing.

In August 2015, the General Office of the State Council issued the Guiding Opinions of the General Office of the State Council on Accelerating the Development of Financial Leasing Industry (《國務院辦公廳關於加快融資租賃業發展的指導意見》) in relation to the proposal of including finance leasing business in the consideration of the overall strategy for the development of national economy, and targeting to achieve a higher market penetration ratio of the finance leasing market and increase the competitiveness of finance leasing enterprises worldwide by 2020 through among others, the market access and taxation. This encouraged various financial institutions such as banks, insurance companies and funds to increase their support for finance leasing companies so as to broaden the financing channels of finance leasing companies with controllable risk. Further, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of the Value-added Tax in lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”) in May 2016, stating that general taxpayers with paid-up capital reaching RMB170 million among the pilot taxpayers that were approved by the People’s Bank of China, China Banking and Insurance Regulatory Commission or the MOFCOM to engage in finance leasing service for tangible assets, the actual value-added tax part of whichever rate more than 3% shall be immediately refunded upon collection. The Group is entitled to the above tax refund upon collection pursuant to the Circular 36. This greatly reduces our tax obligation and hence improving our profit ratio. We also believe the favourable government policies could drive the development of the finance leasing industry which in turn would provide a favourable momentum for the growth and penetration of our business.

Broaden our financing sources and reduce financing costs

Considering the capital intensive nature of our business, other than applying majority of the proceeds from the Share Offer to finance our vehicle finance leasing business, we intend to continue to exploit different financing options to broaden our sources of funding, such as assessing the international capital markets and obtaining funding from large scale domestic or international financial institutions. We believe that securing adequate, stable and diversified financing can improve our capital structure and lower our financing costs in the long run, which in turn can enable us to enhance our competitiveness by providing more competitive pricing to our customers. In this way, we will be able to broaden our customer base and to promote the growth of our business. We believe that the Listing will increase transparency to our operations, enhance our corporate profile and brand image, thereby increasing our ability to attract potential customers, strategic partners or investors, and allow our Group to gain access to the capital market for equity and/or debt financing or other sources of funding for our existing operations and future expansion.

Apart from enhancing our sources of financing to reduce our finance cost thereby increasing our profitability, as at 31 December 2017 and 30 June 2018, our risk assets was way below the relevant PRC legal requirement which requires risk assets of a finance leasing company not to exceed 10 times of the total amount of its net assets at the end of each financial year. We believe the low risk asset ratio also provides us with a relatively large margin for expanding our financing capacity to increase our profitability.

Continue to attract, train and retain talented employees to support our continued growth and expansion

We believe that a dedicated workforce with solid base of the necessary knowledge and skills will enable us to continue to capture the growing opportunities in the vehicle finance leasing industry. In this regard, we intend to continue to attract and retain the talented employees to support our growth and expansion. We will provide trainings to our employees to enhance their professional, industry knowledge, technical expertise and productivity. As we expand our business, we plan to recruit more personnel to increase our efficiency in providing services to our customers and to expand our leasing portfolio. We provide trainings to all new staff including trainings on vehicle specification, finance leasing classification, customer services and credit assessment.

Continue to enhance our risk management capabilities

We intend to continue to assess and improve our risk management capabilities by keeping abreast of the updates in the regulatory environment and the industry practices to update our risk management procedures, including our client credit approval procedures, liquidity control procedures, and customers payment default handling procedures. Where appropriate, we also consider to streamline our internal procedures to increase efficiency in providing services to our customers. In addition, we intend to improve our E-Leasing System and to enhance its features, such as to develop customer relationship management functions so that we can collect information from our customers and make timely responses, and to develop data analytical functions so as to assist our management in forming their decisions and company policies. This can enable us to manage our client database more effectively and provide better customer services through more efficient responses to our customer's needs and concerns.

We understand that our success is partly contributed by our effective risk management capabilities. We will continue to expand our professional risk management team in order to effectively manage the risks associated with our expanded business operations, which in turn can enhance the confidence in our Shareholders and potential investors.

BUSINESS

4. OUR BUSINESS MODEL

Established in 2009, we are a well-established finance leasing company in the PRC focusing on vehicle finance leasing. We primarily provide customised vehicle finance leasing to our customers. Prior to the Track Record Period, we also provided machinery and equipment finance leasing to a number of corporate customers. In light of the growth potential which we saw in the vehicle finance leasing market, we have strategically allocated more of our resources in developing our vehicle finance leasing business. During the Track Record Period, other than the machinery finance lease agreements with Xin You in relation to the leasing of elevators which are due to expire by 2020, we have not entered into any new machinery and equipment finance leasing agreements despite we continue to receive lease receivables under the machinery and equipment finance leasing agreements entered into prior to the Track Record Period. Please refer to the paragraph headed “Machinery and equipment finance lease” below for further details in relation to our machinery and equipment finance leases.

As a finance leasing company, our income from finance leasing business primarily comprises interest income. The following table sets forth a breakdown of our revenue during the Track Record Period:

	The year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%
					(unaudited)			
Vehicle finance leasing	39,888,211	90.5	47,839,568	96.4	24,986,330	95.2	24,939,425	98.8
Machinery and equipment finance leasing	4,209,998	9.5	1,502,849	3.0	1,211,282	4.7	296,295	1.2
Factoring income	–	–	318,622	0.6	34,956	0.1	–	–
Total	<u>44,098,209</u>	<u>100.0</u>	<u>49,661,039</u>	<u>100.0</u>	<u>26,232,568</u>	<u>100.0</u>	<u>25,235,720</u>	<u>100.0</u>

BUSINESS

Headquartered in Shanghai, we had five branch offices in the PRC while our customers were located in more than five provinces, municipalities and autonomous region in the PRC as at the Latest Practicable Date. Besides, we also have staff presence in Guangdong province, Hunan province, Anhui province and Yunnan province to promote our business as at the Latest Practicable Date. The map below illustrates the location of our presence as at the Latest Practicable Date.



(A) Vehicle finance lease

We categorise our vehicle finance leasing business into (i) direct finance leasing; and (ii) sale and leaseback. Direct finance leasing generally involves leasing of vehicle acquired by us from a vehicle dealer prior to the lease transaction. Sale and leaseback generally involves leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer and which is then transferred to us prior to the lease transaction.

The following table sets forth a breakdown of the revenue of our vehicle finance leasing business during the Track Record Period:

	For the year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)							
Direct finance leasing	1,359,918	3.4	913,031	1.9	508,053	2.0	285,675	1.1
Sale and leaseback	38,528,293	96.6	46,926,537	98.1	24,478,277	98.0	24,653,750	98.9
Total	39,888,211	100.0	47,839,568	100.0	24,986,330	100.0	24,939,425	100.0

The following table sets forth the number of vehicle finance leases, the average lease term, the aggregate net financing amount and the range of total contract yield of our vehicle finance leases originated and entered into during the periods indicated, against the respective net financing amount of such leases:

	Year ended 31 December										Six months ended 30 June									
	2016					2017					2017					2018				
	2016					2017					2017					2018				
	Number of leases	Average lease term (months)	Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾	Average collateral coverage ratio	Number of leases	Average lease term (months)	Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾	Average collateral coverage ratio	Number of leases	Average lease term (months)	Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾	Average collateral coverage ratio	Number of leases	Average lease term (months)	Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾	Average collateral coverage ratio
Net financing amount of each of the vehicle finance leases originated and entered into during the period indicated:																				
Less than or equal to RMB400,000	587	21.4	102,789,994 (175,111)	2.5%-39.5% (16.1%)	77.3% (147.5%)	426	22.6	68,951,573 (161,858)	4.5%-34.9% (16.7%)	80.5% (139.0%)	261	22.6	40,165,100 (153,889)	4.5%-34.9% (16.9%)	79.3% (141.3%)	115	22.4	20,165,184 (175,349)	4.7%-27.4% (14.0%)	80.8% (141.4%)
Over RMB400,000 but less than or equal to RMB1,000,000	103	25.5	64,133,988 (622,660)	2.0%-33.7% (14.2%)	88.8% (135.7%)	74	25.7	45,346,469 (612,790)	5.2%-34.8% (21.1%)	84.2% (134.3%)	36	26.1	21,014,277 (583,730)	6.1%-34.8% (22.1%)	80.1% (140.4%)	21	20.0	13,949,736 (664,273)	6.0%-25.3% (12.8%)	88.1% (129.1%)
Over RMB1,000,000 but less than or equal to RMB2,000,000	39	25.2	56,130,096 (1,439,233)	2.0%-34.5% (13.6%)	93.0% (131.2%)	20	23.8	28,856,865 (1,441,893)	5.0%-24.6% (15.5%)	83.0% (144.1%)	5	23.8	6,096,000 (1,219,200)	12.2%-18.6% (15.5%)	70.1% (171.0%)	25	28.6	38,875,133 (1,555,005)	6.0%-27.0% (13.6%)	88.6% (127.5%)

	Year ended 31 December						Six months ended 30 June												
	2016			2017			2017			2018									
	Number of leases	Average lease term (months)	Aggregate/(average) net financing amount (RMB)	%	Range/(average) of total contract yield ⁽¹⁾ (average)	Average loan to value ratio/ collateral coverage ratio (Average)	Number of leases	Average lease term (months)	Aggregate/(average) net financing amount (RMB)	%	Range/(average) of total contract yield ⁽¹⁾ (average)	Average loan to value ratio/ collateral coverage ratio (Average)							
Over RMB2,000,000	22	27.8	80,728,871 (3,669,494)	26.7 (14.4%)	3.7%- 23.1%	95.0% (126.2%)	34	27.7	99,281,704 (2,920,050)	41.0 (21.1%)	32.0%- (21.1%)	97.4% (119.5%)	-	44	14.5	135,780,469 (3,085,920)	65.0 (10.7%)	5.0%- 18.3%	98.8% (115.8%)
Total	751	22.3	303,782,949 (404,505)	100.0 (14.9%)	2.0%- 39.5%	80.2% (144.4%)	554	23.1	242,416,611 (437,575)	100.0 (18.4%)	34.9%- (18.4%)	82.1% (137.4%)	302	23.0	67,275,377 (222,766)	100.0 (18.6%)	4.5%- 34.9%	4.7%- 27.4%	85.7% (134.1%)

Notes:

- (1) Total contract yield represents the total interest earning throughout the lease term divided by the net financing amount of such lease.
- (2) For each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the five vehicle finance leases with the highest net financing amount accounted for approximately 8.6%, 10.0% and 17.6%, respectively, of our aggregate net financing amount of the leases originated and entered into during such period, while the lease with the highest net financing amount accounted for approximately 2.0%, 2.9% and 5.9%, respectively, of our aggregate net financing amount of the leases originated and entered into during such period.

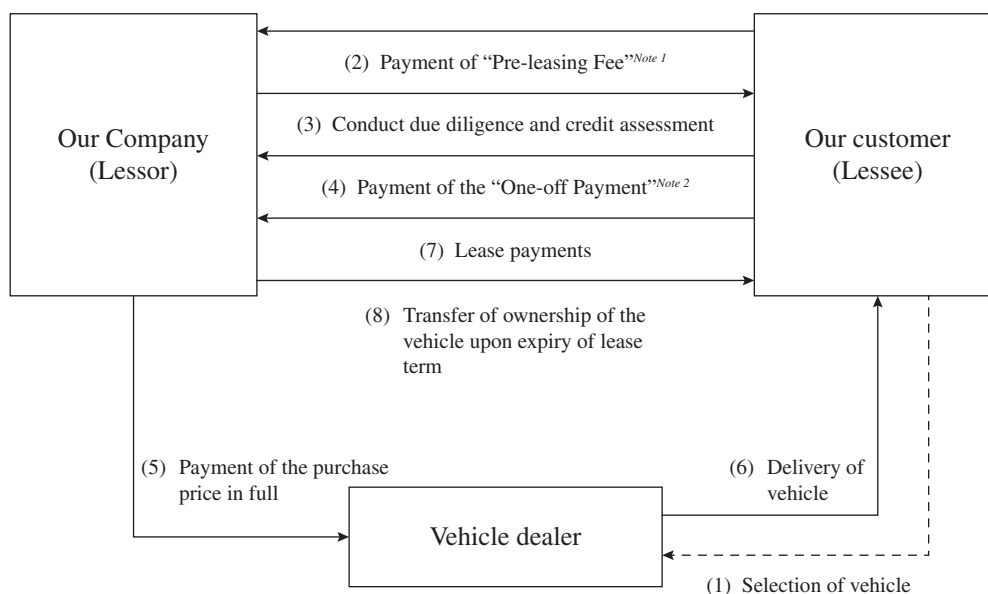
The vehicles under our finance leases can be divided into (i) commercial vehicles; and (ii) passenger vehicles. Commercial vehicles refer to vehicles which are primarily used for transportation of goods and cargoes or for transporting more than nine passengers, including trucks, shuttle buses, coaches, tractor units and dump trucks. Passenger vehicles refer to vehicles which are used for transporting not more than nine passengers, such as sedans, sport utilities vehicles and multi-purpose vehicles.

(i) Direct finance leasing

Direct finance leasing accounted for approximately 3.4%, 1.9% and 1.1% of the revenue of our vehicle finance leasing business for each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, respectively. The vehicles under direct finance leasing are mainly passenger vehicles which do not require a road transportation operation licence.

In direct finance leasing, we (as lessor) purchase specific vehicle from the vehicle dealer pursuant to the instructions given by our customer (as lessee) under the finance leasing agreements. As such, under direct finance lease arrangement, we are the buyer specified in the vehicle purchasing invoices and are also the owner specified in the “Motor Vehicle Registration Certificate (車輛登記證書)” of the leased vehicle. We typically provide financing of 30.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customer, hence the down payment provided by our customer would range from 0% to 70.0% of the total vehicle value. We typically require our customers to provide security deposit of 0% to 37.2% of the net financing amount. We then lease the vehicle to our customer for its use in return for periodic lease payments payable by the customer to us. The periodic lease payments comprise the net financing amount together with interest. At the end of the lease term, ownership of the leased vehicle will be transferred to the lessee upon payment of a nominal fee.

The following diagram illustrates the relationship among our Company (as lessor), our customer (as lessee) and the vehicle dealer:



Notes:

1. “Pre-leasing Fee” includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the “One-off Payment” at the later stage.
2. “One-off Payment” includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee, and down payment (if applicable).

The net financing amount provided for each direct finance lease arrangement ranged from approximately RMB0.05 million to RMB1.3 million during the Track Record Period.

(ii) Sale and leaseback

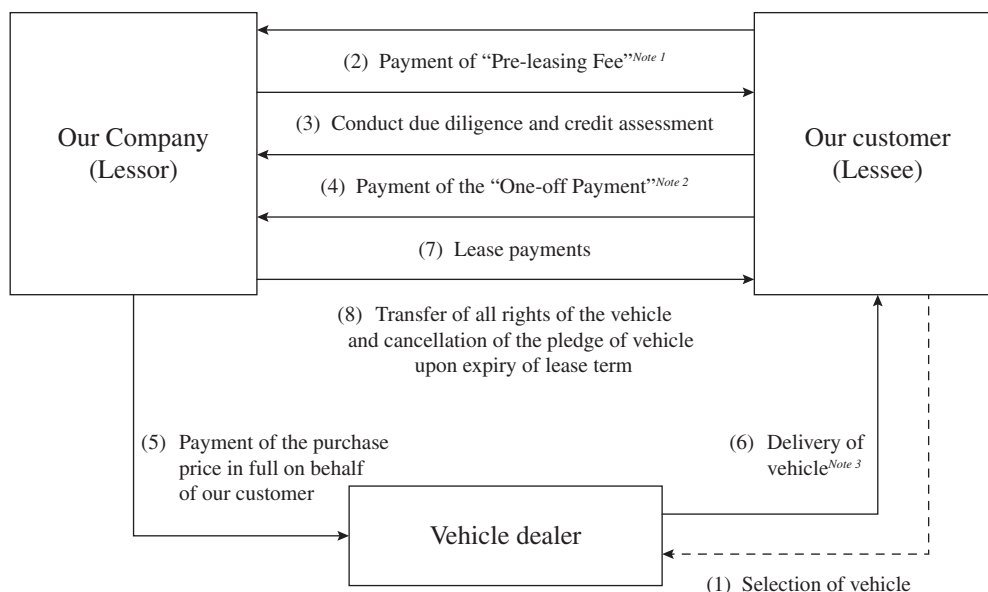
Sale and leaseback accounted for approximately 96.6%, 98.1% and 98.9% of the revenue of our vehicle finance leasing business for each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, respectively. The vehicles under sale and leaseback are generally (i) commercial vehicles such as trucks, shuttle buses, coaches, tractor units, concrete transport trucks and dump trucks; and (ii) passenger vehicles which require road transportation operation licence.

Pursuant to the relevant laws and regulations of the PRC, vehicle owners engaged in road freight/passenger transportation business shall apply to the relevant road transportation authority for a road transportation operation licence. The applicant of such licence shall fulfill certain conditions, such as possession of qualified vehicles which could meet the demand of its business operations, drivers who could meet the requirements as prescribed in the relevant regulations and a sound safety management system. Since our Group does not intend to engage in road freight/passenger transportation business, we do not plan to apply for a road transportation operation licence. Therefore, to ensure the commercial or passenger vehicles leased by us can be used by our customers to carry on their logistics business, those vehicles which require a road transportation operation licence are registered under the name of (i) transportation companies; or (ii) our customers which hold the road transportation operation licence. Under such cases, transportation companies or our customers, instead of us, would be specified as the buyer in the vehicle purchasing invoices and the owner in the “Motor Vehicle Registration Certificate” of the leased vehicle.

In a typical sale and leaseback, we (as lessor) pay the purchase price for specific vehicle to the vehicle dealer pursuant to the instructions given by our customer (as lessee) under the finance leasing agreements. In view of the above-mentioned PRC legal requirement in relation to road transportation operation licence, we may not be the registered owner of the leased vehicle as appeared on the “Motor Vehicle Registration Certificate”. In such circumstances, we will enter into an ownership transfer agreement with the lessee of the leased vehicle under sale and leaseback so as to transfer all rights of the leased vehicle to us. In addition, we will also enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. According to the PRC Legal Advisers, the fact that we are not the registered owner of the leased vehicle does not affect our ownership in the leased vehicle since our rights in the leased vehicle are confirmed under the ownership transfer agreement and the agreement with our customer and the transportation company. As part of our risk management procedures, and except in a small number of cases as set out in the paragraph headed “Operation workflow – Stage 3: Negotiation and signing” in this section, we will also require our customer to pledge the leased vehicle to us and arrange for the registration of the pledge of the leased vehicle to us at the relevant PRC authorities.

BUSINESS

The following diagram illustrates the relationship among our Company (as lessor), our customer (as lessee) and the vehicle dealer under a typical sale and leaseback:



Notes:

1. "Pre-leasing Fee" includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the "One-off Payment" at the later stage.
2. "One-off Payment" includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee, and down payment (if applicable). In this step, our customer will also enter into an agreement with our Company to transfer all rights of the leased vehicle to us.
3. In this step, we will enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. Besides, we will arrange for the registration of the pledge of the leased vehicle to our Company at the relevant PRC authorities as part of our risk management procedures.

In a small number of cases, our customer (as lessee) sells his/her used vehicle to us (as lessor) so as to obtain financing and we then lease such vehicle to our customer. We provide financing to our customer under such case by discounting the value of the leased vehicle which is determined through independent valuation or comparing the model of the vehicle in the second hand market. However, since we believe that there is risk associated with the determination of value of the used vehicles which may affect our profitability in these finance leases, we do not encourage the entering into of finance leases with used vehicles and will only consider entering into such finance leases upon request by our previous or existing customers in accordance with our internal policies.

BUSINESS

Under sale and leaseback, we typically provide financing of 23.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customer, hence the down payment provided by our customer would range from 0% to 77.0% of the total vehicle value. We typically require our customers to provide security deposit of 0% to 54.0% of the net financing amount. The periodic lease payments comprise the net financing amount together with interest. At the end of the lease term, all rights of the leased vehicle will be transferred to the lessee upon payment of a nominal fee, and the pledge of the leased vehicle will be cancelled.

The net financing amount provided for each sale and leaseback ranged from approximately RMB0.03 million to RMB12.3 million during the Track Record Period.

The differences between direct finance leasing and typical sale and leaseback are summarised as follows:

	All rights of the leased vehicle	Owner of the leased vehicle as stated on the “Motor Vehicle Registration Certificate”	Whether road transportation operation licence is required	Pledge of the leased vehicle to us
Direct finance lease	Company	Company	Not required	Not applicable
Sale and leaseback (typical)	Company	Lessee/ transportation company who holds the road transportation operation licence	Required	Required

Finance leasing to auto dealers

Since September 2017, we have provided inventory finance leasing to auto dealers for luxury cars of internationally well-known brands to diversify our customer base. For the year ended 31 December 2017 and the six months ended 30 June 2018, the revenue from our inventory finance leasing accounted for approximately 1.7% and 9.3% of the revenue of our sale and leaseback vehicle finance leasing business, respectively, and approximately 1.7% and 9.2% of the revenue of our vehicle finance leasing business, respectively. We will enter into an ownership transfer agreement with the lessee (i.e. the auto dealer) so as to transfer all rights of the leased vehicle to us. As one of the conditions for us to provide inventory finance leasing, the lessee should deliver to our custody certain original customs compliance certificates in relation to the leased vehicle (such as the import inspection card of the leased vehicle), without which the leased vehicle can neither be affixed with license plates nor transferred. Besides, we will also keep in our custody the key and the purchase invoice for the leased vehicle as part of our risk management procedures. During the Track Record Period, the net financing amount of the leases entered into with auto dealers ranged from RMB1.4 million to RMB12.3 million, representing approximately 49.9% to 100% of the total vehicle value (i.e. the purchase price of the vehicle from the manufacturer).

BUSINESS

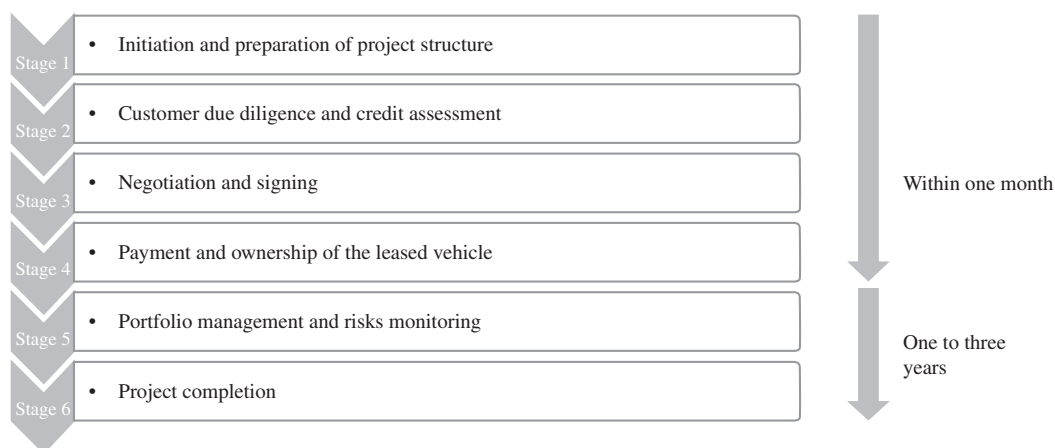
The following table sets forth a breakdown of the maturity profile of our vehicle finance lease receivables as at the date indicated:

Maturity profile of finance lease receivables

	As at 31 December				As at 30 June	
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
Gross finance lease receivables						
Due within one year	230,804,228	69.4	206,326,461	70.7	224,395,987	67.4
One year to three years	101,972,594	30.6	85,312,926	29.3	108,737,166	32.6
Total	<u>332,776,822</u>	<u>100.0</u>	<u>291,639,387</u>	<u>100.0</u>	<u>333,133,153</u>	<u>100.0</u>
Present value of minimum lease payment						
Due within one year	204,694,580	71.2	186,695,547	72.7	202,152,427	68.8
One year to three years	82,922,506	28.8	70,053,071	27.3	91,490,446	31.2
Total	<u>287,617,086</u>	<u>100.0</u>	<u>256,748,618</u>	<u>100.0</u>	<u>293,642,873</u>	<u>100.0</u>

Operational workflow

We have adopted a systematic operational workflow from Stage 1 to Stage 6 for our vehicle finance leasing operations. Under the workflow, we applied various risk management measures to control the risks involved. Please refer to the paragraph headed “Credit risk management” under the section headed “Risk management” in this prospectus for further details. The following chart sets out the typical workflow of our vehicle finance leasing business operations:



Stage 1: Initiation and preparation of project structure

We learn of potential new finance leasing projects mainly through (i) vehicle dealers; (ii) exploration by our business operation department; or (iii) referrals from our existing customers. After learning of the new finance leasing opportunity, we will initiate a meeting with our potential customer to obtain more information of the vehicle purchase and discuss the potential project structure.

Our business operation department will prepare a tailored project structure for our potential customer and the relevant price quotes according to the information provided by such customer. We will determine the interest rate and loan-to-value ratio according to our internal pricing policies. Please refer to the paragraph headed “Pricing policy” in this section for further details regarding the determination of the price of our finance leases. Our potential customer and us will enter into a pre-lease agreement which specifies, among others, details of the vehicle to be purchased, the amount of the purchase price of the vehicle which is intended to be financed by us, the amount of “Pre-leasing Fee” which is payable by our customer upon signing of the pre-lease agreement and the amount of “One-off Payment” which is payable by our customer.

“Pre-leasing Fee” includes earnest money and due diligence fee (if applicable), of which the earnest money can be applied to offset part of the “One-off Payment” at the later stage.

Stage 2: Customer due diligence and credit assessment

We then conduct more detailed research into the background and creditworthiness of our potential customer. Personnel from our business operation department will conduct on-site due diligence at the customer’s place of residence and/or business and may also obtain a credit rating report on the customer from independent credit rating companies.

After completion of the due diligence process, our business operation department will forward our customer’s application and the due diligence materials to the credit assessment department for its approval. The approval process will be conducted online via the E-Leasing System, which typically takes one business day. Please refer to the paragraph headed “Stage 2: Due diligence and credit assessment” in the section headed “Risk management” in this prospectus for further details regarding our credit assessment procedures.

If the results of the credit assessment of our potential customer are unsuccessful, the earnest money paid in Stage 1 will be returned to the potential customer. For each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, the rejection rate of our vehicle finance leases was approximately 7.3%, 17.6% and 16.7% respectively.

Stage 3: Negotiation and signing

Our business operation department will negotiate with our potential customer in relation to the terms of the finance leasing. Upon confirmation of the key terms, our business operation department will fill in the details of the terms of the finance leasing using the standardised contracts prepared by our legal department and arrange for signing of the documents. Our legal department will be responsible for checking the completeness of the legal documents signed by our customers. If our potential customer fails to enter into the finance leasing agreement due to its own reason, we will not return the earnest money to them which has been paid in Stage 1.

Upon signing of the finance leasing agreement, our customer will pay a “One-off Payment” which includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee and down payment (if applicable). The earnest money paid by our customer in Stage 1 will be applied to offset part of the “One-off Payment”.

For typical sale and leaseback, since the leased vehicle will be typically registered under the name of the transportation company which holds the road transportation operation licence, our customer will also enter into the ownership transfer agreement with us pursuant to which our customer agrees to transfer all rights of the leased vehicles to us. As part of our risk management procedures, except for a small number of cases set out below, we will also require our customer to pledge the leased vehicle to us:

- (i) finance leases originated in Yunnan Province with the lease term not exceeding six months and the net financing amount of the finance lease not exceeding RMB60,000; and
- (ii) when pledging of the leased vehicle is prohibited under the Property Law of the PRC, for example, when the lessee of the leased vehicle is a school, hospital or other social groups with the aim of benefiting the public.

During each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, approximately 0.46%, 2.44% and nil, respectively, of the aggregate net financing amount of our vehicle finance leases originated and entered into during the period was in respect of leased vehicles which were not registered under our name and have not been pledged to us.

For direct finance leasing, the ownership transfer agreement is not necessary since the vehicle will be registered under our name in the “Motor Vehicle Registration Certificate”.

Stage 4: Payment and ownership of the leased vehicle

Our finance department will ensure the receipt of the “One-off Payment” payable to us by our customer in Stage 3. Our legal department will ensure the satisfaction of all other conditions precedent under the finance leasing agreement, including but not limited to arranging of insurance over the leased vehicles. Our legal department will inform our finance department for arranging the payment of the vehicle purchase price in full to the vehicle dealer in direct finance leasing and typical sale and leaseback as authorised by our customers.

Prior to the delivery of the vehicle to our customers, we will arrange with the vehicle dealer to install the GPS devices in the vehicle prior to the delivery of the vehicle to our customer.

In typical sale and leaseback, as we may not be the registered owner of the leased vehicle on the “Motor Vehicle Registration Certificate”, an ownership transfer agreement is entered with the lessee of the leased vehicle so as to transfer all rights of the leased vehicle to us. In addition, we will also enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. We will also arrange for the registration of the pledge of the leased vehicle to our Company at the relevant PRC authorities.

In both direct finance leasing and sale and leasebacks, our customer is responsible for the proper maintenance of the leased vehicle.

Stage 5: Portfolio management and risks monitoring

During the term of the finance lease, our customer will pay us monthly lease payments in accordance with the agreed lease payment timetable set out in the finance leasing agreement. Please refer to the paragraphs headed “Stage 5: Portfolio management and risks monitoring” and “Stage 6: Risk management and enforcement measures” in the section headed “Risk management” in this prospectus for further details regarding our risk management procedures in managing our portfolios.

Stage 6: 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 business operation department is in charge of completing the transfer of ownership of the leased vehicle to our customer at a nominal consideration upon our customer discharging its payment obligation. The initial security deposit paid by our customer may be used to offset the nominal consideration of the leased vehicle, and any remaining amount will be returned to our customer.

BUSINESS

For sale and leaseback, our business operation department will be responsible to arrange for cancellation of the pledge upon full performance of the finance leasing agreement.

For further details on the risk management measures we have adopted, please refer to the section headed “Risk management” in this prospectus.

Summary of key terms of finance leasing agreements

We have standard templates for our vehicle finance leasing agreements. A summary of the key terms of our vehicle finance leases are set out below:

- Term: usually one to three years (for inventory financing for auto dealers, the term is usually six months);
- Vehicle under lease: a detailed vehicle list is listed as appendix to the finance leasing agreement;
- Title/ownership of vehicle under lease:
 - under direct finance leasing, we possess all rights under the leased vehicle. The vehicle under lease will be registered under our name in the “Motor Vehicle Registration Certificate”;
 - under sale and leaseback, the vehicle under lease typically requires a road transportation operation licence under the relevant laws and regulations of the PRC, therefore, the vehicle will be registered under the name of the transportation company or lessee who holds the road transportation operation licence. We will require the lessee to transfer all rights of the leased vehicle to us, and will require the lessee to pledge the vehicle under lease to us and register the pledge at the relevant PRC authorities;
- Vehicle delivery and inspection upon delivery: GPS devices are installed in the vehicle under lease prior to delivery to the lessee, the lessee is responsible for inspection of the leased vehicle upon delivery;
- Insurance: full insurance coverage on the vehicle under lease; insurance premium payable by the lessee;
- Rent, fees and security deposit:
 - monthly lease payment by lessee;
 - fees for late repayment and insurance; and
 - security deposit;

- Default provision: if lessee fails to pay any installment of rent or fails to perform any of its obligation specified in the finance leasing agreements, we shall have the right to demand prompt payment in full or in part of the lease receivables;
- Dispute resolution: through arbitration administered by the Shanghai Arbitration Commission;
- Completion: after full settlement of all interest and principal payables or compensation settled.

Leased vehicles and collaterals

For direct finance leasing, we typically provide financing of 30.0% to 100.0% of the total vehicle value (including purchase price of the vehicle and vehicle insurance (if applicable)) to our customer. For sale and leaseback, we typically provide financing of 23.0% to 100% of the total vehicle value (including purchase price of the vehicle and vehicle insurance (if applicable)) to our customer. The net financing amount of each finance lease is negotiated between us and our customer, with reference to the original purchase price of the vehicle, the liquidity and prevailing prices of the vehicle in the second-hand market. Our customers will also pay to us a security deposit as security to safeguard performance of their obligations under the vehicle finance leases.

Under direct finance lease, we are the registered owner of the leased vehicle on the “Motor Vehicle Registration Certificate”. Under typical sale and leaseback, in view of the above-mentioned PRC legal requirement in relation to road transportation operation licence, the leased vehicle is typically registered under the name of the transportation company or the lessee which holds the road transportation operation licence. In such circumstances, we will enter into an ownership transfer agreement with the lessee of the leased vehicle so as to transfer all rights of the leased vehicle to us. In addition, we will also enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. As part of our risk management procedures and except in a small number of cases, we will also require our customer to arrange for registration of the pledge of the leased vehicle to us.

According to the terms of our finance leasing agreements, we have the right to immediately and unilaterally dispose of such leased vehicles if any customer defaulted on their lease payments to us. Other than the security deposit required to be paid by our customer, depending on the risk level of our customer, we may also require lessees and third parties to provide additional collaterals 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 or family members (where applicable); and (ii) pledge of real property or vehicles owned by the lessees. At the origination of the finance leasing agreements, based on the net

financing amount, the collaterals under the finance leasing agreement which represents the value of the leased vehicle plus the value of additional collaterals (if any), and the amount of the security deposit, the collateral coverage ratio of the finance leases we entered into during the Track Record Period as calculated by dividing the collaterals by the net financing amount typically ranges from 100% to 439.1%. During the Track Record Period, the number of vehicle finance leases originated and entered into by us with collateral coverage ratio of 100% only represented a small portion of the total number of finance leases originated and entered into by us.

Our finance lease receivables are mainly secured by the leased vehicles, as well as security deposits from our customers. Our Directors believe that we should not have significant difficulty in selling the leased vehicles in the market in the event of default by our customers because most of our leased vehicles are commonly used in the industry for various purposes such as road freight/passenger transportation business or transportation of passengers. In respect of our measures to manage the potential risk faced by us that the value of the collateral in respect of a finance lease may fall below the value of the outstanding receivables, as part of our risk management policy, prior to the origination of a finance lease, we would conduct searches in relation to the value of the leased vehicle in the second hand market through publicly available information (for example, certain websites which offer sale and trading of second hand vehicles) to assess the residual value of the leased vehicle at various stages during the proposed lease term and at the end of the proposed lease term, and then we would determine the lease term, the net financing amount, and the amount of collaterals (including the amount of security deposit and the value of the leased vehicle) to be required from our potential customer for such lease. Therefore, under the above assessment, it is expected that the outstanding value of the collateral would be sufficient to cover the amount of outstanding lease receivables in respect of a finance lease at any point of time during the lease term, and the pace of depreciation of the residual value of the vehicle would be similar to or slower than the pace of reduction in the amount of outstanding lease receivables at any point of time throughout the lease term.

In February 2016, we expanded our business scope to include factoring business relating to our finance leasing business. With the expanded business scope, we are able to carry on factoring business which is related to our vehicle finance leasing business. In June 2017, we entered into one factoring agreement with an Independent Third Party in relation to vehicle finance leasing whereby the Independent Third Party factored to us and we have agreed to purchase finance lease receivables assets under a portfolio of 119 vehicle finance leasing agreements with an outstanding term of no more than seven installments to be fully repaid by the end of 2017 with an aggregate value of approximately RMB20.6 million at a consideration of RMB20.3 million. Pursuant to the factoring agreement, such Independent Third Party should repurchase any defaulted finance lease at the amount of the outstanding balance of the relevant finance lease. As at 31 December 2017, the factoring agreement was completed and there were no outstanding factored accounts receivables from our customer.

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) Machinery and equipment finance lease

Prior to the Track Record Period, we entered into machinery and equipment finance leasing agreements with a number of corporate customers. In light of the growth potential which we saw in the vehicle finance leasing market, we have strategically allocated more of our resources in developing our vehicle finance leasing business. During the Track Record Period, other than the machinery finance leasing agreements with Xin You in relation to the leasing of elevators which are due to expire by 2020, we have not entered into any new machinery and equipment finance leasing agreements despite we continue to receive lease receivables under the machinery and equipment finance leasing agreements entered into prior to the Track Record Period. For each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, revenue from machinery and equipment finance leasing accounted for approximately 9.5%, 3.0% and 1.2% of our total revenue. As at the Latest Practicable Date, other than the finance leasing agreements in relation to the leasing of elevators with Xin You, all our machinery and equipment finance leases have been completed. Please refer to the section headed "Connected transactions" in this prospectus for further information in relation to our finance lease with Xin You.

Among our machinery and equipment finance leases which generated revenue during the Track Record Period, the term of each finance lease is typically of three years and the loan amount ranged from approximately RMB8.3 million to approximately RMB350.0 million. The machinery and equipment under lease were mainly bulky machines including construction equipment, incinerators, water supply systems, large-scale cables, elevators and drilling machines. We also received arrangement fee by providing financing advice to our customer.

In general, the business model of our machinery and equipment finance leases was similar to that of direct finance leasing of vehicle as set out in the paragraph headed "Vehicle finance lease" above. However, due to the large transaction amount usually involved under machinery and equipment finance leases, and in order to maintain flexibility in our cash flow, we have entered into factoring arrangements with banks whereby we factored to the banks and the banks purchased from us the lease receivables for our machinery and equipment finance leasing projects for cash. These factoring agreements were generally "with recourse", which means we were required to provide the banks with a guarantee to unconditionally repurchase the lease receivables on demand under certain circumstances (including but not limited to a default by our customer to pay the lease payment). During the Track Record Period, approximately

BUSINESS

RMB36.4 million of our finance lease receivables from machinery and equipment finance leases (other than our finance leases with Xin You) were factored to the banks in consideration for cash with recourse to help maintain flexibility on our cash flow. The factoring of our finance lease receivables to the banks did not generate revenue for us.

Taking into account the low market penetration ratio of vehicle finance leasing in the PRC and the increasing acceptance of finance lease as a mode of financing for vehicle purchases in the PRC, we believe there is substantial growth potential in the vehicle finance leasing market and we have strategically allocated more resources to expand our vehicle finance leasing portfolio during the Track Record Period. It is also our strategy to capitalise the growth potential in the vehicle finance leasing market and continue to expand and develop our vehicle finance leasing portfolio and broaden our customer base in this respect. As at the Latest Practicable Date, we have no current business plan to expand our machinery and equipment finance lease portfolio.

5. ASSET QUALITY INFORMATION

The following is a credit quality analysis of our finance lease receivables as at 31 December 2016 and 2017 and 30 June 2018, respectively. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Receivables not overdue	194,759,533	232,864,509	274,995,223
Overdue receivables without individual allowance of doubtful accounts under IAS 39	71,164,238	20,172,902	–
Overdue receivables with individually allowance of doubtful accounts under IAS 39	21,693,315	3,711,207	–
Overdue receivables with loss allowance under IFRS 9	–	–	18,647,650
Total	287,617,086	256,748,618	293,642,873
Less: Allowance of doubtful accounts under IAS 39 (individually)	(6,335,386)	(1,034,488)	–
Allowance of doubtful accounts under IAS 39 (collectively)	(7,068,821)	(3,474,383)	–
Loss allowance on finance lease receivables under IFRS 9	–	–	(4,390,376)
Total	274,212,879	252,239,747	289,252,497

BUSINESS

The following is an ageing analysis based on past due dates of finance lease receivables which are past due but not individually impaired as at 31 December 2016 and 2017 and 30 June 2018, respectively.

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within one month	27,711,891	5,546,237	2,293,144
One to three months	21,050,241	4,647,867	7,029,078
Three months to one year	19,374,014	9,913,950	3,745,586
More than one year	3,028,092	64,848	5,579,842
Total	<u>71,164,238</u>	<u>20,172,902</u>	<u>18,647,650</u>

Movements of loss allowance on finance lease receivables during the Track Record Period

(A) Movement of allowance for the two years ended 31 December 2017 under IAS 39

	Individual impairment	Collective impairment	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 1 January 2016	(3,720,760)	(4,169,282)	(7,890,042)
Provision during the year	<u>(2,614,626)</u>	<u>(2,899,539)</u>	<u>(5,514,165)</u>
At 31 December 2016	(6,335,386)	(7,068,821)	(13,404,207)
(Provision) reversal during the year	(2,486,029)	3,594,438	1,108,409
Eliminated upon transfer of related finance lease receivables	4,913,346	–	4,913,346
Written-off	<u>2,873,581</u>	<u>–</u>	<u>2,873,581</u>
At 31 December 2017	<u>(1,034,488)</u>	<u>(3,474,383)</u>	<u>(4,508,871)</u>

BUSINESS

(B) Movement of allowance for the six months ended 30 June 2018 under IFRS 9

	Stage 1	Stage 2	Stage 3	
		Lifetime	Lifetime	
		ECL not	ECL	
	12-month	credit-	credit-	
	ECL	impaired	impaired	Total
	RMB	RMB	RMB	RMB
As at 1 January 2018				4,508,871
Effect arising from adoption of IFRS 9 (<i>Note</i>)				<u>789,577</u>
As at 1 January 2018				5,298,448
Changes in the loss allowance:				
– Transfer to Stage 1	356,220	(297,020)	(59,200)	–
– Transfer to Stage 2	(26,256)	221,718	(195,462)	–
– Transfer to Stage 3	(527)	(140,587)	141,114	–
– (Credited) charged to profit or loss	(725,584)	504,140	(686,628)	<u>908,072</u>
As at 30 June 2018				<u><u>4,390,376</u></u>

Note: Our Group had initially adopted IFRS 9 “*Financial Instruments*” on 1 January 2018, while adopted IAS 39 “*Financial Instruments: Recognition and Measurement*” prior to 1 January 2018.

Our Group’s finance lease receivables were measured under IAS 17 “*Leases*” consistently throughout the Track Record Period, while the requirement of derecognition and impairment of which were accounted for under IAS 39 prior to 1 January 2018 and under IFRS 9 since 1 January 2018. Our Company assessed that the derecognition requirement related to the finance lease receivables are the same under both IFRS 9 and IAS 39. However, in relation to the impairment, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Whereas impairment loss under IAS 39 is recognised for a credit event to have occurred before credit losses are recognised. Therefore, application of IFRS 9 would result in early recognition of impairment losses based on expected credit loss model as compared to the incurred credit loss model under IAS 39.

Accordingly, as a result of the initial adoption of IFRS 9 on 1 January 2018, the difference between the carrying amounts of finance lease receivables as at 31 December 2017 and 1 January 2018, amounting to RMB789,577, was recognised in the opening retained profits, without restating the financial information for the years ended 31 December 2016 and 2017.

BUSINESS

(C) Weighted average expected credit loss rate for finance lease receivables

As at 30 June 2018

	Stage 1	Stage 2	Stage 3	Total
		Collective provision Lifetime ECL not credit- impaired	Individual provision Lifetime ECL credit- impaired	
	Collective provision 12m ECL			
Total gross carrying amount (<i>RMB</i>)	274,995,223	9,322,222	9,325,428	293,642,873
Weighted average expected credit loss rate	0.18%	11.24%	30.39%	1.49%
Total ECL (<i>RMB</i>)	<u>508,539</u>	<u>1,047,483</u>	<u>2,834,354</u>	<u>4,390,376</u>
Including:				
12m ECL (<i>RMB</i>)	508,539	–	–	508,539
Lifetime ECL (<i>RMB</i>)	<u>–</u>	<u>1,047,483</u>	<u>2,834,354</u>	<u>3,881,837</u>
	<u>508,539</u>	<u>1,047,483</u>	<u>2,834,354</u>	<u>4,390,376</u>

BUSINESS

The following table sets forth our finance lease receivables, the amount of finance lease receivables that are past due and the corresponding past due ratios, and the amount of provision for impairment losses and the corresponding coverage ratios as of the dates indicated:

	As at 31 December		As at
	2016	2017	30 June
	RMB, except for percentage		
Finance lease receivables (before provision)	287,617,086	256,748,618	293,642,873
Provision for impairment losses on finance lease receivables	(13,404,207)	(4,508,871)	(4,390,376)
Provision to finance lease receivables ratio ⁽¹⁾	4.66%	1.76%	1.50%
Overall past due finance lease receivable ⁽²⁾	92,857,552	23,884,109	18,647,649
30+ days past due finance lease receivables ⁽³⁾	65,068,187	17,490,002	16,354,505
90+ days past due finance lease receivables ⁽⁴⁾	44,017,947	12,842,135	9,325,428
180+ days past due finance lease receivables ⁽⁵⁾	28,143,657	7,933,872	8,082,491
Overall past due ratio ⁽⁶⁾	32.29%	9.30%	6.35%
30+ days past due ratio ⁽⁷⁾	22.62%	6.81%	5.57%
Default ratio ⁽⁸⁾	15.30%	5.00%	3.18%
180+ days past due ratio ⁽⁹⁾	9.79%	3.09%	2.75%
Overall past due coverage ratio ⁽¹⁰⁾	14.44%	18.88%	23.54%
30+ days past due coverage ratio ⁽¹¹⁾	20.60%	25.78%	26.70%
90+ days past due coverage ratio ⁽¹²⁾	30.45%	35.11%	46.82%
180+ days past due coverage ratio ⁽¹³⁾	47.63%	56.83%	54.03%

Notes:

- (1) Represents provision for impairment losses on finance lease receivables divided by finance lease receivables.
- (2) Represents finance lease receivables that were past due.
- (3) Represents finance lease receivables that have been past due for over 30 days, which include those past due for one to three months, three to six months and over six months.
- (4) Represents finance lease receivables that have been past due for over 90 days, which include those past due for three to six months and over six months.
- (5) Represents finance lease receivables that have been past due for over six months.
- (6) Represents overall past due finance lease receivables divided by finance lease receivables.
- (7) Represents 30+ days past due finance lease receivables divided by finance lease receivables.

- (8) Represents 90+ days past due finance lease receivables divided by finance lease receivables in accordance with the Group's accounting policy on financial instruments under IFRS 9 in relation to the definition of default of financial assets.
- (9) Represents 180+ days past due finance lease receivables divided by finance lease receivables.
- (10) Represents provision for impairment losses on finance lease receivables divided by finance lease receivables that were past due.
- (11) Represents provision for impairment losses on finance lease receivables divided by 30+ days past due finance lease receivables.
- (12) Represents provision for impairment losses on finance lease receivables divided by 90+ days past due finance lease receivables.
- (13) Represents provision for impairment losses on finance lease receivables divided by 180+ days past due finance lease receivables.

For our provisioning policy for bad and doubtful receivables, please refer to the paragraph headed "Quality of our finance lease receivables" in the section headed "Financial information" in this prospectus.

6. PRICING POLICY

We charge interest on our finance leases based on the prevailing market rates, our risk premium through the assessment of the credit risk involved and the liquidity of the lease asset, our funding cost and our internal rates of return for finance leasing of different lease assets. 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 from the lease asset (if applicable). All of our finance leases adopt a fixed interest rate.

During the Track Record Period, other than the machinery finance lease agreements with Xin You in relation to the leasing of elevators which are due by 2020, we have not entered into any machinery and equipment finance leasing agreements as we allocated more resources on our vehicle finance leasing business. In respect of our internal pricing policies for vehicle finance leasing, we regularly review our internal pricing policies and determine the minimum acceptable level of return for finance leasing of different types of vehicles which our business operation department shall adopt when they negotiate the terms of the vehicle finance leases with our customers. The average internal rate of return for our new vehicle finance leases entered into during each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 was approximately 22.7%, 20.1% and 19.1%, respectively which is higher than the average costs of interest-bearing liabilities in respect of the vehicle finance leases of our Group of approximately 10.9%, 11.4% and 13.9% of the corresponding periods. The major factors affecting the average internal rate of return include the annual interest rate of our vehicle finance leases and the corresponding lease term. The higher the annual interest rate of the vehicle finance lease and the shorter the corresponding lease term, the higher is the average internal rate of return of such vehicle finance lease. The weighted average effective interest rate of our finance leases was approximately 21.5%, 19.5% and 18.6% for each of years ended

31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. The average lease term of the new vehicle finance leases of our Group is approximately 22.3 months, 23.1 months and 21.2 months, respectively, for each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, which is within the range of the lease term of vehicle finance leases (i.e. one to three years) of vehicle finance leasing companies in the PRC according to the Industry Report.

For each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the annual return rate on our vehicle finance lease receivables was approximately 18.5%, 18.2% and 18.7%, respectively. After netting off the above-mentioned average costs of interest-bearing liabilities, the net interest spread of the vehicle finance leasing of our Group for the corresponding periods was approximately 7.6%, 6.8% and 4.8%, respectively. Our net interest spread narrowed down during the Track Record Period because there was an increase in the average costs rate of our interest bearing liabilities during the period while our annual return rate remained stable. The increase in the average costs rate in 2018 was due to (i) the increase in interest expenses for the six months ended 30 June 2018 arising from the new borrowings drawn down in 2018 with nominal interest rate ranging from 5.7% to 9.0% per annum which is similar to the nominal interest rate of the borrowings drawn down in 2017; and (ii) the decrease in the average balance of our interest-bearing liabilities in computing the costs rate since the beginning balance of our interest-bearing liabilities was lowered as a result of the repayment of our borrowings by the end of 2017 which were drawn down in 2016 and 2017.

7. SALES AND MARKETING

Our customers for our vehicle finance leasing business are mainly SMEs and individuals. We would regularly contact our existing and potential customers to understand their financing needs and explore opportunities to provide financing for them. We also promote customer awareness of our brand and our vehicle finance leasing business through our advertising and promotional activities. During the Track Record Period, we conducted the following activities:

- participate in vehicle exhibitions
- distribute advertising materials to potential customers
- publish articles and placing advertisements relating to vehicle finance leasing services and our Group on online and social media platforms

Through the above promotional activities, we plan to improve our brand awareness as a flexible and accessible vehicle finance leasing company so as to increase collaboration opportunities with companies with national wide network, thereby providing finance leasing to their employees.

As at the Latest Practicable Date, we had five branch offices in the PRC which were located in Shanghai municipality, Jiangsu province, Guizhou province, Shandong province and Jiangxi province. We provide our services directly through our business operation department. We believe that the industry expertise and background of our staff result in better sales and marketing achievements.

BUSINESS

8. OUR CUSTOMERS AND SUPPLIERS

Customers

We provide our vehicle finance leasing mainly to SMEs and individuals.

The following table sets forth the total amount of finance lease income generated from the vehicle finance leases during the Track Record Period, against the respective type of customers:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Type of customers				
SMEs	21,299,047	26,877,875	14,422,626	18,546,913
Individuals	18,589,164	20,961,693	10,563,704	6,392,512
	39,888,211	47,839,568	24,986,330	24,939,425
Machinery finance leasing				
– SMEs	4,209,998	1,502,849	1,211,282	296,295
Factoring income				
– SME	–	318,622	34,956	–
	44,098,209	49,661,039	26,232,568	25,235,720

The following table sets forth breakdown of our finance lease income generated from the finance leases originated and entered into during the period indicated and the existing finance leases:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Finance leases originated and entered into during the period indicated:				
<i>New customers</i>	16,508,350	9,605,528	2,543,881	2,665,288
<i>Repeat customers</i>	5,188,925	3,169,993	592,556	3,461,511
	21,697,275	12,775,521	3,136,437	6,126,798
Existing finance leases	22,400,934	36,885,518	23,096,131	19,108,922
	44,098,209	49,661,039	26,232,568	25,235,720

BUSINESS

The following table sets forth the breakdown of the finance lease income by year of origination:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Year of origination:				
– 2013	50,500	5,358	5,356	–
– 2014	6,731,580	1,481,272	1,229,990	2,158
– 2015	15,618,854	4,567,679	3,014,800	1,036,584
– 2016	21,697,275	30,831,209	18,845,985	5,760,570
– 2017	–	12,775,521	3,136,437	12,309,610
– 2018	–	–	–	6,126,798
	<u>44,098,209</u>	<u>49,661,039</u>	<u>26,232,568</u>	<u>25,235,720</u>

The following table sets forth the total amount of undiscounted finance lease receivables during the Track Record Period, against the respective type of customers:

Type of customers	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	2018
			RMB
Vehicle finance leasing			
– SMEs	186,658,485	195,461,887	263,361,805
– Individuals	<u>134,853,308</u>	<u>85,757,001</u>	<u>60,895,718</u>
	321,511,793	281,218,888	324,257,523
Machinery finance leasing			
– SMEs	<u>11,265,089</u>	<u>10,420,499</u>	<u>8,875,630</u>
	<u>332,776,882</u>	<u>291,639,387</u>	<u>333,133,153</u>

BUSINESS

The following table sets forth details of vehicle finance leases originated and entered into during the periods indicated:

Type of customers	Year ended 31 December						Six months ended 30 June		
	2016			2017			2018		
	Number of	Net	Finance	Number of	Net	Finance	Number of	Net	Finance
	customers	financing	lease	customers	financing	lease	customers	financing	lease
		amount	income		amount	income		amount	income
		RMB	RMB		RMB	RMB		RMB	RMB
SMEs	90	185,431,064	12,881,212	100	174,593,024	6,604,185	62	194,871,374	5,628,206
Individuals	491	118,351,885	9,281,962	317	67,823,587	5,878,545	61	13,899,148	514,177
	<u>581</u>	<u>303,782,949</u>	<u>22,163,174</u>	<u>417</u>	<u>242,416,611</u>	<u>12,482,730</u>	<u>123</u>	<u>208,770,522</u>	<u>6,142,383</u>

The following table sets forth the total amount of undiscounted finance lease receivables of the vehicle finance leases originated and entered into during the periods indicated, against the respective type of such customers:

Type of customers	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	RMB
SMEs	158,753,442	152,579,577	176,433,148
Individuals	<u>101,208,298</u>	<u>56,673,126</u>	<u>13,545,987</u>
	<u>259,961,740</u>	<u>209,252,703</u>	<u>189,979,135</u>

In respect of our customers which are SMEs and which we entered into finance lease agreements with during the Track Record Period, we understand a majority of them used the leased vehicles for pursuing vehicle operating lease business (e.g. operation of passenger car fleets), while the others used the leased vehicles for road freight/passenger transportation. There was a drop in the number of our customers who are individuals and which we entered into finance lease agreements with during the Track Record Period because we were able to secure finance leases with an increasing number of SME customers during the Track Record Period, and such leases with SME customers generally had higher net financing amount per lease when compared to those with individual customers.

During the Track Record Period, all revenue from the machinery and equipment finance leasing was generated from customers which were large and medium enterprises.

BUSINESS

For each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, our five largest customers accounted for approximately 16.8%, 15.2% and 21.6%, respectively, of our total revenue, while the largest customer accounted for approximately 7.5%, 7.8% and 6.6%, respectively, of our total revenue for the same periods.

None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5% of the Shares as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

Suppliers

We have no major suppliers due to the nature of our business.

9. OUR LENDERS AND FUNDING CAPABILITIES

We conduct regular capital planning, reporting and forecasting, and 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. Please refer to the section headed “Risk management” in this prospectus for further details. In addition, we have prudently managed our balance sheet by maintaining our gearing ratios at a level that we consider to be reasonable. Please refer to the paragraph headed “Key financial ratios” in the section headed “Financial information” in this prospectus 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 our related parties, to operate our business.

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				As at 30 June	
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
Bank and other borrowings						
Bank borrowings	29,875,459	32.4	15,048,429	43.2	24,439,480	26.6
Other borrowings						
– Secured and unguaranteed	21,453,541	23.2	14,818,680	42.5	67,446,232	73.3
– Unsecured and unguaranteed	14,720,000	16.0	–	–	–	–
	36,173,541	39.2	14,818,680	42.5	67,446,232	73.3
Amounts due to our related parties	26,134,179	28.4	4,961,998	14.3	58,606	0.1
Total	<u>92,183,179</u>	<u>100.0</u>	<u>34,829,107</u>	<u>100.0</u>	<u>91,944,318</u>	<u>100.0</u>

Bank and other borrowings

During the Track Record Period, we obtained a diverse source of fund through banks, financing companies and internet financial services platforms so as to achieve flexibility and minimise the costs of financing to cater the financing needs of customers and to expand our finance leasing portfolio when opportunities arises.

During the Track Record Period, our borrowings mainly comprised interest-bearing bank loans to operate our business. We have established strong business relationships with the branches of national commercial banks. The bank borrowings were typically secured by certain lease receivables or by guarantee from other institutions whereby we pledged our lease receivables to such institutions. As at 31 December 2016 and 2017 and 30 June 2018, our bank borrowings accounted for 32.4%, 43.2% and 26.6% for our Group's external funding by source, respectively. For each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, we incurred approximately RMB1.3 million, RMB1.2 million and RMB0.4 million, respectively, on interest expenses for bank borrowings. For further details on our interest-bearing bank borrowings, please refer to the paragraph headed "Bank and other borrowings" in the section headed "Financial information" in this prospectus.

Owing to the capital intensive nature of our finance leasing business, we have also explored other sources of funding to ensure the sustainability of our funding. Apart from banks, we have established relationships with other financing companies, such as independent factoring company, small loan financing company and independent asset management company. As at 31 December 2016 and 2017 and 30 June 2018, the balance of the borrowings from the above financing companies was RMB8.5 million, RMB14.8 million and RMB67.4 million, respectively.

BUSINESS

We had also obtained loans from three internet financial services platforms in the PRC which are Independent Third Parties. As at 31 December 2016, the balance of the borrowings from internet financial services platforms was approximately RMB21.5 million. As at 31 December 2017, these loans have been repaid in full.

As at 31 December 2016 and 2017 and 30 June 2018, our other borrowings accounted for 39.2%, 42.5% and 73.3% for our Group's external funding by source, respectively. For each of the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, we incurred approximately RMB4.9 million, RMB4.1 million and RMB3.9 million, respectively, on interest expenses for other borrowings. For further details on our borrowings from other financial institutions, please refer to the paragraph headed "Bank and other borrowings" in the section headed "Financial information" in this prospectus.

As at 30 June 2018, we had unutilised credit facilities in an amount of RMB10 million obtained from third party banks or financial institutions.

During the year ended 31 December 2017, we have also entered into a financing agreement with a fund manager (which is an Independent Third Party) on behalf of a fund, pursuant to which the fund advanced the sum of RMB28.6 million to us in consideration of the transfer of our finance lease receivables ("**Underlying Receivables**") of approximately RMB34.3 million to it on a with recourse basis. The principal assets of the fund were the Underlying Receivables which, upon collection, would be used to provide the designated return to the investors of the fund. The size of the fund was RMB29 million which was contributed by the investors whose investment ranged from three months to two years. The minimum investment amount in the fund was RMB1 million. Each of Xin You and our Company has invested in RMB1 million in the fund. The fund manager is a company established in 2015 in the PRC with registered capital of RMB600 million, and it has completed the registration as a private investment fund manager with the Asset Management Association of China. Pursuant to the financing agreement, our Company is responsible for monitoring the collection of the Underlying Receivables on behalf of the fund. Considering that the Underlying Receivables collected to date were almost sufficient to cover the investment principal paid by the investors plus their designated return to date, we have made arrangements with the fund manager to repay the investors and terminate the financing arrangement in August 2018 and the outstanding Underlying Receivables have been transferred back to us. We believe that the termination of the financing arrangement could facilitate our future cash flow, and relieve our future payment obligation to pay the investors of the fund for the designated return for their remaining investment period thereby lowering our finance costs.

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:

- a transfer of material operating assets without obtaining the lender's prior approval;
- failure to inform the lender of any change of directors of the borrower or of any amendment to the borrower's constitutional documents;

- failure to repay the principal and/or interest in a timely manner; and
- any major merger or consolidation involving the borrower that the lender 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.

Save for the related parties who had made advances to the Group as mentioned in the paragraph headed “Our lenders and funding capabilities – Amounts due to our related parties”, all lenders who had provided financing to the Group during the Track Record Period and up to the Latest Practicable Date are Independent Third Parties.

Amounts due to our related parties

During the Track Record Period, we had advances obtained from (i) Mr. Chow Chuen Chung, father of Mr. Chau David; (ii) Ms. Chau On; (iii) Mr. Chau David; and (iv) Xin You. All the advances were unsecured, interest free and repayable on demand. As at 31 December 2016 and 2017 and 30 June 2018, the aggregate outstanding amount due to them was approximately RMB26.1 million, RMB5.0 million and RMB0.1 million, respectively. As at the Latest Practicable Date, the amounts due to our related parties were fully settled.

10. OUR DEBT MANAGEMENT

We manage our debt based on the following strategies:

1. *Determine a reasonable level of debt:* we determine a reasonable level of debt in accordance with our business plan for the year, business strategies, risk-taking capability and capital structure. Different assessment will be conducted monthly and quarterly to ensure our business plan is fulfilled.
2. *Arrange appropriate means of funding and plan proportional debt repayment structure:* we arrange appropriate means of funding, taking into account the different funding types, structures, interest rates, etc., so that we can plan our funding in advance to limit our risk exposure. First, we strive to allocate short 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, i.e. within a period of 12 months, we use short-term borrowings to minimise our interest burden. For long-term demand of funds, i.e. within a period of five years, we use long-term borrowings to avoid the risk of failing to raise sufficient funds when the need arises. This allows our short 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 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.

3. *Prioritise the most appropriate means of funding*: on the assumption that the funding is required for our business, we prioritise and use the funding with the lowest costs.

We will 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, i.e. approximately 100% to the Group's total equity taking into account factors such as the existing level of our cash and bank balances, the amount of outstanding finance lease receivables and our existing business plan. As our business expands, such reasonable level may vary from time to time taking into account our future business plan, the quality of the outstanding finance lease receivables and our risk management capabilities. Risk assets of a financing leasing company 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 company, which is defined in Measures for the Administration of Foreign-funded Lease Industry (Order of the Ministry of Commerce [2015] No. 5) (《外商投資租賃業管理辦法》) (the “**Measures of Foreign-funded Lease Industry**”). However, the Measures of Foreign-funded Lease Industry was abolished on 22 February 2018. Despite the abolishment of the Measures of Foreign-funded Lease Industry, our Directors believe that the definition of “risk assets” as stated therein is still applicable and we will still use such definition for the purpose of calculating risk assets until further relevant laws or regulations are promulgated. As at 30 June 2018, our risk assets is approximately 1.84 times of our net assets, which we have a relatively large margin for expanding our financing capacity to increase our revenue. Based on the unaudited management accounts of our Group for the month ended 30 September 2018, our risk assets was approximately 1.68 times of our net assets. As our business expands, we expect our level of debt will increase due to the nature of our business. We believe that the increase in our financial leverage will increase the profitability of our business.

Our debt management approval process

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 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 will be discussed internally, and will be approved by our chief financial officer. For financing plans which are outside the scope of our annual business plan, further review and approval by the chairman of the Board is required.

Our steps to manage our level of debt

During the Track Record Period, (i) at or around the end 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 financing 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. We will also conduct stress tests from time to time to ensure our debt structure are at a reasonable level.

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 finance leasing operations, as well as for working capital and other general corporate purposes. Our Directors believe that through our Company's comprehensive debt management measures, there is 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.

11. COMPETITION

For details of the competitive landscape, barriers to entry and overview of the vehicle finance leasing industry in which we operate, please refer to the section headed "Industry overview" in this prospectus.

12. INFORMATION TECHNOLOGY

Our information technology systems are integral to many aspects of our business operations, including credit assessment, risk management, monitoring of the payment performance of our customers, etc.. Since March 2015, we have been cooperating with an external computer software provider to set up the E-Leasing System. To the best knowledge of the Directors, such external computer software provider is a company listed on the Shenzhen Stock Exchange and is principally engaged in the provision of enterprise resource planning (ERP) software to corporations in the PRC as well as in overseas countries. Based on the principle of enterprise resource planning, the E-Leasing System allows us to manage each customer's portfolio efficiently by controlling the overall vehicle finance lease operation in our internal system. Under the E-Leasing System, we create a portfolio for each new customer. This can help us maintain an updated database regarding our network of customers as well as

the history of our relationships with each of them. Besides, under the E-Leasing System, we can easily monitor the payment performance of our customers in our internal system and reduce the hassle of circulating physical documents and minimise the risk of human errors. Since 2016, we have made arrangements with two major PRC banks to enable the E-Leasing System to collect the monthly payments from our customers automatically through their bank accounts upon receiving authorisation from these customers. Pursuant to the agreements entered into between us and each of the PRC banks, we shall register with the PRC banks the basic information and payment details of our customers who have provided us with authorisation. Upon sending electronic instructions through our E-Leasing System, the PRC banks will automatically charge our customers' bank account through their electronic banking system. The agreements shall continue to take effect until terminated by either party by giving one and two months' notice respectively. The fees per instruction charged by each of the two PRC banks were RMB0.3 and RMB1 respectively. We believe that these features of the E-Leasing System are important to enhance our efficiency in providing services to our customers and to develop stronger customer loyalty.

Our GPS online system enables us to keep track of the location of the leased vehicles and their utilisation. When we observe that a leased vehicle has gone offline for a few days, we will contact our customer to enquire about the status and location of the leased vehicle, or conduct on-site inspection of the leased vehicle at its last seen location as shown in the GPS online system. The GPS online system enables us to detect any potential default in advance thereby taking appropriate actions to minimise our risk exposure.

13. INSURANCE

Typically, we require our customers as lessee to purchase insurance for the leased vehicles to cover any loss or damage to such vehicles during the lease period. The insurance premiums are generally paid in accordance with the terms of the finance lease agreements, where our customer will bear the cost of the insurance premium, but we are the beneficiary of the insurance. In respect of the social security insurance we maintained for our employees as required by the social security laws and regulations in the PRC, please refer to the paragraph headed "Employees" in this section for details.

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.

14. EMPLOYEES

As at 30 June 2018, we had a total of 78 full-time employees. The following table sets forth the breakdown of our full-time employees by departments as at 30 June 2018:

Department	Number of employees
Chief executive officer's office	6
Business operation department	39
Credit assessment department	3
Asset management department	5
Legal department	6
Finance department	10
Information technology department	2
Human resources department	4
Marketing department	3
Total	78

The following table sets forth the breakdown of our full-time employees by province/municipality as at 30 June 2018:

Province/municipality	Number of employees
Shanghai municipality and Jiangsu province	48
Guizhou province	6
Shandong province	4
Jiangxi province	1
Others	19
Total	78

Employee training

We believe our employees are our valuable resources to achieving our success. To ensure the quality of our employees at all levels, we emphasise on the continuous 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, including trainings on vehicle specification, finance leasing classification, customer services and credit assessment, to ensure that they are equipped with the necessary knowledge and expertise to perform their duties.

Employee relation and benefits

We generally recruit our employees from the open market mainly through placing recruitment advertisements. We recruit employees whom we believe have the relevant skills and working experiences to serve the Group. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development.

The remuneration package offered by our Group to our employees includes basic salary, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. We conduct annual reviews of our employees to consider salary raises, bonuses and promotions based on their performance.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds (including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave) and housing provident fund contributions. Save as disclosed in the paragraph headed "Non-compliance" in this section, based on the advice of our PRC Legal Advisers, we had complied in all material aspects with all statutory social insurance and housing provident fund obligations applicable to us under the PRC laws.

15. HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We do not operate any vehicle manufacturing, warehousing, displaying and maintenance and repair facilities. Therefore, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labour and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social or environmental regulations.

16. 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. Please refer to the paragraph headed "B. Further information about the business of our Group – 2. Intellectual property rights" under the section headed "Statutory and general information" in Appendix IV to this prospectus for further details.

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

As at the Latest Practicable Date, we were 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.

17. PROPERTIES

As at the Latest Practicable Date, we operated our businesses through 10 leased properties in the PRC. Our leased properties in the PRC mainly serve as our offices and staff quarters.

Our leased properties have a total gross floor area of approximately 1,471.6 square metres, and range from a gross floor area of approximately 59.5 square metres to approximately 719.5 square metres. The relevant lease agreements have lease expiration dates ranging from 31 December 2018 to 28 February 2021, with renewal options. The monthly rent ranges from approximately RMB1,700 to approximately RMB110,365.8 per unit.

Out of our 10 leased properties, one of the leased properties in the PRC which was used as our headquarters was leased from a connected person of our Director. Please refer to the paragraph headed “Exempt continuing connected transactions” in the section headed “Connected transactions” in this prospectus for further details.

As of the Latest Practicable Date, lessor of one of our leased properties in the PRC has not provided us with valid title certificates or relevant authorisation documents evidencing its rights to lease the property to us. The floor area of such property was approximately 120.4 square metres, representing approximately 8.2% of the aggregate floor area of the properties leased by our Group. As a result, pursuant to the applicable PRC laws and regulations, there are risks that we may not be able to continue to use such property.

Our Directors are of the view that the defective titles of our leased properties will not individually or collectively have a material and adverse effect on our business assets, operations and the Listing because (i) the size of these properties are small as compared with the total size of all our leased properties; (ii) we do not consider these defective properties crucial to our core business operations; (iii) alternative venues are readily available as there are no special requirements for such venues; and (iv) if, for any reason, we can no longer use, any of these properties, we believe we are able to be relocated in a timely manner at minimal expense and would not materially affect our business or financial position. In addition, our Directors are also of the view that (i) such properties with defective titles are generally in good condition and are safe for us to use; and (ii) the rental costs for such leased properties with defective title would not be materially different should the landlords obtain relevant building ownership certificates.

Pursuant to the applicable PRC laws and regulations, property lease contracts are required to be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we have not yet completed lease registration for our 10 properties primarily due to the difficulty of procuring our lessors’ cooperation to register such leases. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease if we failed to make corrections within the specified time limit required by the competent construction (real estate) departments of the municipalities directly under the PRC

Government, cities and counties where the housing is located. The estimated total maximum penalty is RMB100,000. Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis to protect our Group from, among other things, any liabilities arising from the non-compliance incidents in respect of our leased properties as mentioned in this section headed “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 (WUMP) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (WUMP) 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.

18. APPROVALS, LICENCES AND PERMITS

We conduct our finance leasing 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, save as disclosed in the paragraphs headed “Properties” and “Non-compliance” in this section, 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 establishment approval, enterprise business licence and social insurance registration certificate issued by the local branches of MOFCOM, local branches of SAIC, and other government agencies.

19. NON-COMPLIANCE

Save as disclosed below, the Directors confirm that our Group has complied with the applicable laws, rules and regulations in all material aspects in the relevant jurisdictions in which our Group had business operations during the Track Record Period and up to the Latest Practicable Date. Set out below are the material non-compliance incidents of our Group:

Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectification actions
During the Track Record Period, our PRC operating subsidiary, Metropolis Leasing, had failed to make social security insurance and housing provident fund contributions in full amount for our employees as required by the PRC government.	These non-compliance incidents were primarily because: <ul style="list-style-type: none"> (i) some of our employees were migrant workers and not willing to participate in the social welfare schemes of the city in which they migrate temporarily; and (ii) some of our employees newly joined us and the staff who were formerly in charge of this matter had oversights to make payments within the prescribed time and did not fully understand the different regulatory requirements in areas where we operated. 	According to the relevant PRC laws and regulations, in respect of social security insurance, we may be ordered to pay the social security insurance in arrears within a certain period of time and be subject to an overdue penalty calculated at a daily rate of 0.05% of the total unpaid amount of social security insurance contributions which would amount to approximately RMB0.3 million. If we fail to pay any of the unpaid social security insurance contributions and overdue penalty, we may be subject to a fine ranging between one to three times of the total amount of the unpaid social security insurance contributions and overdue penalty which would amount to approximately RMB1.0 million.	During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant government authorities that Metropolis Leasing is required to rectify the non-compliance incident or is subject to any administrative penalties. Furthermore, as confirmed by local social security administrative authority in Shanghai, Metropolis Leasing had no outstanding payment of social security insurance and no overdue penalty in relation to housing provident fund contribution during the Track Record Period.
		Under the relevant PRC laws and regulations, in respect of housing provident fund contributions, the relevant governmental authority may require us to pay the housing provident fund in a prescribed time. If we do not pay the housing provident fund in the prescribed time, relevant governmental authority may apply to the court for mandatory enforcement.	Metropolis Leasing started to pay social security insurance and housing provident fund for their employees in full under relevant laws and regulations gradually from December 2017.
		For prudence sake, we made a provision of approximately RMB0.6 million, RMB0.7 million and RMB0.2 million on the unpaid contributions as at 31 December 2016 and 2017 and 30 June 2018, respectively. Our Directors have confirmed that the amount of provision is adequate.	

Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectification actions
	Our PRC Legal Advisers are of the opinion that such non-compliance incidents will not result in any substantial impediment to the Listing.		<p>Our Controlling Shareholders have undertaken to indemnify us for any unpaid amount of and penalty incurred as a result of our failure to make the social security insurance and housing provident fund contributions.</p> <p>We have established our internal control policy and assigned designated personnel to closely monitor the status of social security insurance and housing provident fund contributions on a monthly basis to ensure that we made these contributions in full for our employees on time in accordance with the applicable laws and regulations in the future. Written records with respect to these payment were properly prepared, maintained and reviewed.</p> <p>We will continue to make social security insurance and housing provident fund contributions in accordance with the applicable PRC laws and regulations in the future.</p>

Views of our Directors and the Sole Sponsor in relation to non-compliance

In the light of the foregoing, our Directors are of the view that such non-compliance incidents do not have any material impact on our Group's business operations and financial position. We have adopted internal control procedures and policies in place to prevent further occurrence of the above non-compliance incidents by our Group in the future. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents and our Group's internal control measures to avoid recurrence of these non-compliance incidents, our Directors are of the view that these past non-compliance incidents do not involve any dishonesty on the part of our Directors and such non-compliance incidents do not affect their suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules, and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules. Further, we will engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will be sufficient to prevent future occurrence of non-compliance incidents. The Sole Sponsor concurs with our Directors' view.

Deed of indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis to protect our Group from, among other things, any liabilities arising from the non-compliance incidents set out in the paragraphs headed "Properties" and "Non-compliance" in this section. For further details of the Deed of Indemnity, please refer to the paragraph headed "F. Other Information – Tax and other indemnity" under the section headed "Statutory and general information" in Appendix IV to this prospectus.

Internal control

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have, in consultation with the independent internal control adviser ("**Internal Control Adviser**"), adopted an internal control policy and the following measures:

- (i) our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the GEM Listing Rules, and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) we have engaged and will continue to appoint external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time;
- (iii) we have taken remedial measures to address certain deficiencies in our internal control systems, including monitoring the ongoing compliance of certain GEM Listing Rules and regulations with the internal control measures put in place; and

- (iv) we have appointed Octal Capital Limited as our compliance adviser pursuant to the GEM Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines.

In preparation for Listing, we have engaged the Internal Control Adviser to conduct an evaluation on our Group's internal control system. During the review, the Internal Control Consultant identified internal control deficiencies and has recommended remedial measures to enhance our internal control system. Upon receipt of the recommendations made by the Internal Control Consultant, our Group had adopted the remedial measures recommended by the Internal Control Consultant by September 2017. The Internal Control Consultant performed a follow-up review in February 2018 to review the status of the remedial actions taken by the management to address the findings identified by the Internal Control Consultants. Following such review and evaluation performed by the Internal Control Adviser, our Group has implemented or will implement prior to Listing all of the recommendations given by the Internal Control Adviser on our internal control system. The table below sets forth the material weaknesses identified by our Internal Control Adviser and the rectification measures:

Material weaknesses**Rectification measures**

Metropolis Leasing, our PRC subsidiary, failed to establish policies in respect of payment of social security insurance and housing provident fund contribution.

We have established the internal control policy and assigned designated personnel to closely monitor the status of social security insurance and housing provident fund contributions on a monthly basis to ensure that we made these contributions on time in accordance with the applicable laws and regulations.

There were certain defects in the formation and operation of our Board and some of its board committees.

We have optimised the organisational structure of our Board and board committees in compliance with the GEM Listing Rules. We have formulated internal regulations to specify the allocation of responsibilities between our Directors and senior management and each of their meeting procedures.

Our Group failed to maintain complete policies to cover corporate governance, risk management and other aspects of internal control.

We have improved our internal control policies to cover corporate governance, risk management, connected parties transactions, and legal matters, as to enhance our internal compliance system.

BUSINESS

After considering the above remedial actions taken by our Group and our business nature and operation scale, and discussing with our Internal Control Adviser, our Directors are of the view and the Sole Sponsor concurs that our internal control system is adequate and effective for our current operating environment.

20. LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, neither our Company, any of our subsidiaries nor our Directors and senior management is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries or our Directors and senior management, that would have a material adverse effect on our results of operations or financial condition.

OVERVIEW

As a finance leasing company, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, exchange rate 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 and focused on managing risks through comprehensive due diligence and multi-level approval and on-going monitoring processes. For vehicle finance leasing business, we also adopt the E-Leasing System to manage each customer's portfolio effectively by controlling the overall vehicle finance lease operation in our internal system. For details on our E-Leasing System, please refer to the paragraph headed "Information technology" in the section headed "Business" in this prospectus. We believe this enhances our risk management capability and reduces the probability of and the impact from defaulted lease transactions. 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 changes in market conditions and regulatory environment.

During the Track Record Period, other than the machinery finance lease agreements with Xin You in relation to the leasing of elevators which are due by 2020, we have not entered into any machinery and equipment finance leasing agreements as we have been focusing on developing our vehicle finance leasing business and capitalising on the growth potential in the vehicle finance leasing market. As such, in respect of our machinery and equipment finance leases, we focused on monitoring the payment of the lease receivables during the Track Record Period. As at the Latest Practicable Date, other than the machinery finance lease agreements with Xin You in relation to the leasing of elevators which are due to expire by 2020, all obligations under existing machinery and equipment finance lease agreements have been fulfilled and all amounts due to our Group thereunder have been received by our Group.

We have adopted the following strategies to achieve our risk management objectives:

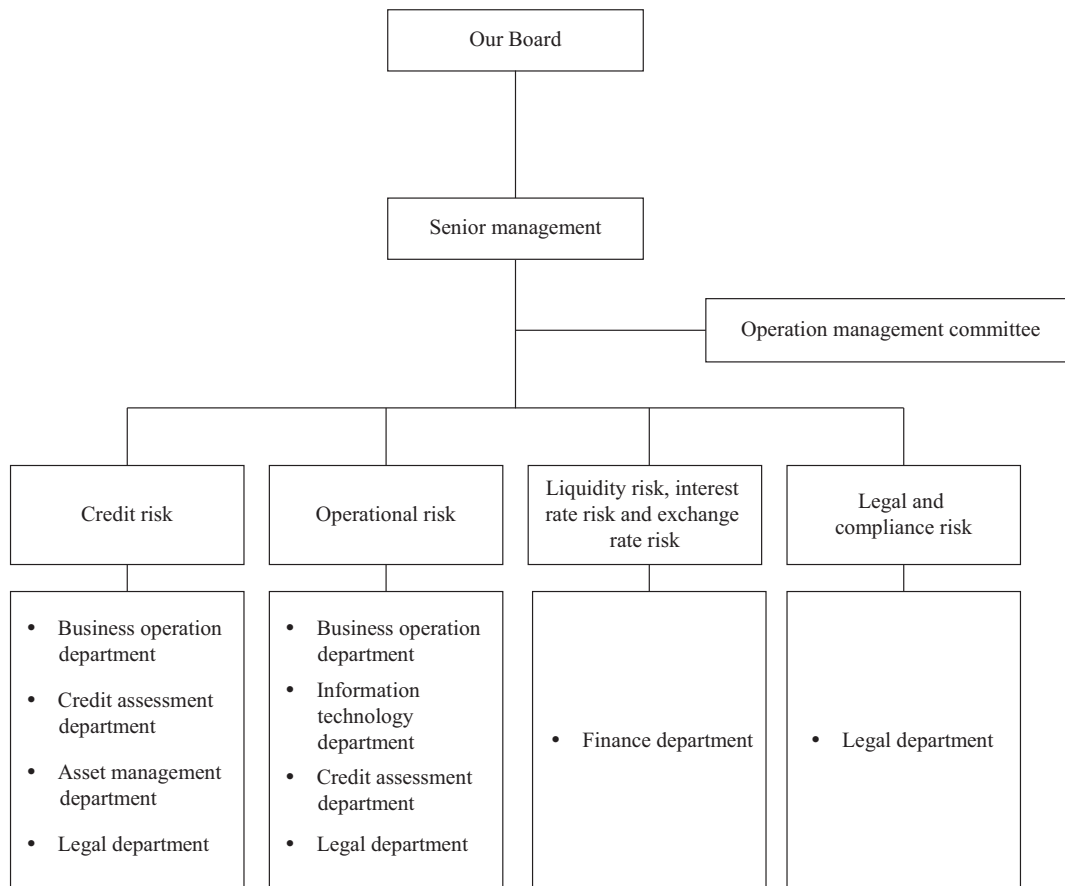
- continue to remain selective in the screening of customers, based on our thorough industry understanding;
- strengthen our risk management capabilities through the segregation of duties between (i) our business operation department, which is responsible for customer exploration and service; (ii) our credit assessment department, which is responsible for credit assessment after considering our customer's ability and willingness to pay its financial obligations; (iii) our legal department, which is responsible for checking the completeness of the legal documents signed by our customers; and (iv) our finance department, which is responsible for ensuring the satisfaction of the conditions precedent prior to the approving payment of the leased vehicle;

RISK MANAGEMENT

- strengthen our ability to detect potential default by our customers by monitoring the portfolio of each customer and the usage of the leased vehicles through our E-Leasing System and GPS online system; and
- continue to cultivate a strong risk management culture through rigorous implementation of our risk management policies and measures, as well as company-wide employee training.

RISK MANAGEMENT SYSTEM FRAMEWORK

We have always been developing our risk management procedures to suit our business needs. Our risk management measures are integrated with every stage of our finance lease operations, from the pre-lease investigation, credit assessment, lease approval to management of finance lease. The following chart sets forth our risk management structure:



RISK MANAGEMENT

Board

Our Board takes the ultimate responsibility for our overall risk management and oversees our risk management functions through the operation management committee of our Group with the assistance of the senior management of our Group.

The major risk management functions include the followings:

- determining risk management goals and requirements;
- reviewing and approving risk management strategy and significant risk management solutions;
- reviewing significant risks our Group is facing so as to make an informed and effective risk management decision; and
- supervising the cultivation of risk management culture.

The Board also performs its risk management function by giving guidance and authorisation to our operation management committee.

Senior management

The senior management of our Group is responsible for formulating the risk management strategies and policies for the approval by the Board. Upon approval by the Board, they are also responsible for approving risk management execution plans. The principal responsibility of the senior management in the area of risk management includes the following:

- formulating risk management policy and procedures;
- formulating risk management strategy and major risk management solution plans;
- approving risk management execution plans;
- regularly obtaining information on the nature and level of risk through risk management report prepared by different departments; and
- ensuring effective identification, measurement, monitoring and control of business risks has been undertaken.

Further details on the background of the senior management is set forth in the section headed “Directors and senior management” in this prospectus.

RISK MANAGEMENT

Operation management committee

Our operation management committee is responsible for supervising our daily risk management, implementing our risk management policies, and overseeing the relevant departments' performance of risk management duties. They report to the senior management of our Group on our overall risk management operations and the effectiveness on the implementation of risk management policies as formulated by the senior management of our Group from time to time. The principal responsibility of the operation management committee in the area of risk management includes the following:

- regularly evaluates the risk management policy;
- monitors the implementation of our risk management and internal control policies and systems;
- reviews and approves connected transactions and related policies;
- be responsible for management, monitoring and control of risk arising from their responsible business functions;
- ensures full compliance with risk management strategy, policies and procedures as formulated by the senior management of our Group from time to time;
- performs periodic risk control self-assessment; and
- reports to the senior management of our Group of any identified risk together with corrective/remedial actions.

Our operation management committee was set up since 2014. Our operation management committee comprises heads and/or general managers of major business departments including business operation department, credit assessment department, finance department and legal department.

RISK MANAGEMENT

As at the Latest Practicable Date, our operation management committee comprises the following members:

Members	Relevant experience and qualifications
Zhou Hui (周卉), our chief operation officer and executive Director	Please refer to her biography in the section headed “Directors and senior management” in this prospectus.
Ma Aili (馬愛麗), our financial controller	Ms. Ma graduated from Dongbei Finance University* (東北財經大學) in June 2003 majoring in accounting and she obtained the qualification of senior accountant from the Shanghai Accountancy Senior Professional Job Qualifications Adjudication Committee* (上海市會計系列高級專業技術職務任職資格評審委員會) in December 2017. She possessed more than nine years of experience in accounting work and joined our Group since May 2016. Prior to joining our Group, between October 2014 and April 2016, Ms. Ma worked as senior financial manager in Shanghai PPDai Financial Information Service Co., Ltd.* (上海拍拍貸金融信息服務有限公司), a company whose ultimate parent company has American depositary shares listed on the New York Stock Exchange (symbol: PPDF) and the group is mainly engaged in online consumer finance business in the PRC.
An Zhongrong (安忠榮), our legal manager	Ms. An obtained a master’s degree in law from Shanghai Maritime University* (上海海事大學) in June 2014. She has passed the National Legal Profession Examination* (國家司法考試) in March 2013. She has worked as a legal executive in Shanghai Tongyue Leasing Company Limited* (上海同岳租賃有限公司) which is a company in Shanghai and is principally engaged in vehicle finance leasing between July 2014 and November 2017. She joined our Group in November 2017.
Shao Jiacong (邵佳聰), our business operation manager	Mr. Shao graduated from Shanghai Shanda College* (上海衫達學院) in July 2007 majoring in Japanese. He had more than five years of experience in the finance leasing industry. He joined our Group in June 2016.

RISK MANAGEMENT

Business operation department

Our business operation department is responsible for exploring, examining and supervising our finance leases. Our officers in our business operation department are responsible for overseeing the entire process of the finance leases they are assigned to, from initial customer identification and due diligence, negotiation and execution of finance leasing agreements, to portfolio management and monitoring, supervision and enforcement. As at 30 June 2018, our business operation department has 39 employees.

Credit assessment department

Our credit assessment department is central to our risk management capabilities. Our credit assessment department is responsible for conducting its independent due diligence and credit assessment for potential finance lease projects. As at 30 June 2018, our credit assessment department has three employees.

Asset management department

Our asset management department is mainly responsible for the continuous management of our asset portfolio and the assets underlying our leases during the lease term. Our asset management department works closely with our business operation department to (i) regularly monitor the asset portfolios by periodically reviewing the status of lease receivables, monitor any possible default on lease payments by our customers, and perform investigations and on-site inspections of customers; (ii) make timely adjustments to asset quality categorisation based on regular assessment of asset quality; and (iii) carry out material event reporting, collateral collection, loss recovery and foreclosed asset disposal activities to preserve the collateral value of the assets underlying our leases. In addition, the E-Leasing System has been adopted to record the status of lease receivables. In the event of overdue lease payments by our customers, our asset management department and business operation department will undertake enforcement measures. As at 30 June 2018, our asset management department has five employees.

Legal department

Our legal department is responsible for prevention and control of compliance risk, including cooperating with regulatory authorities in their supervision and inspection, coordinating with the relevant departments to rectify any problems identified during the supervision and inspection, paying close attention to the changing external regulatory requirements in order to promptly alert compliance risks, and keeping all the departments in compliance with the regulatory opinions and requirements. Our legal department drafts our business contracts for our finance leases and ensures the completeness of the legal documents signed by our customers. Furthermore, our legal department ensures that the registration of collaterals has been completed. Our legal department works closely with our business operation department and asset management department to undertake any enforcement action against our customers in the event our customers default their obligation in their payment. As at 30 June 2018, our legal department has six employees.

RISK MANAGEMENT

Finance department

Our finance department is responsible for managing liquidity and market risks. Upon fulfillment of all conditions precedent as stated in the finance lease agreement, our finance department will arrange payment of the vehicle purchase price in full to the vehicle dealer in direct finance leasing and typical sale and leaseback as authorised by our customers. Furthermore, our finance department works closely with our asset management department to monitor payments of our receivables so as to mitigate credit and liquidity risks. As at 30 June 2018, our finance department has 10 employees.

Information technology department

The information technology department is mainly responsible for managing the operational risk of our information technology systems to ensure the smooth operation of our business. As at 30 June 2018, the information technology department has two employees.

CREDIT RISK MANAGEMENT

Credit risk is the primary risk that we face in our finance leases. Credit risk arises from the inability or unwillingness of our customers 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 of our vehicle finance leases adopted by us prior to the Track Record Period:

Risk management measures for different stages of a finance lease	Responsible department(s)/officer(s)	Functions
Initiation and internal review	<ul style="list-style-type: none">• Business operation department	<ul style="list-style-type: none">• Conduct preliminary assessment through meetings
Customer due diligence and credit assessment	<ul style="list-style-type: none">• Business operation department• Credit assessment department• Chief operation officer	<ul style="list-style-type: none">• Conduct due diligence into background and credit-worthiness of the potential customer and/or guarantor through on site visit and obtaining credit rating report• Review and approve net financing amount of less than RMB250,000• Review and approve net financing amount between RMB250,000 and RMB1.0 million

RISK MANAGEMENT

Risk management measures for different stages of a finance lease	Responsible department(s)/officer(s)	Functions
	<ul style="list-style-type: none"> • Operation management committee 	<ul style="list-style-type: none"> • Review and approve net financing amount exceeding RMB1.0 million
Negotiation and signing	<ul style="list-style-type: none"> • Business operation department • Legal department 	<ul style="list-style-type: none"> • Execute agreements with our customer using standardised agreements prepared by our legal department • Ensure the completeness of agreements
Payment and ownership of the leased vehicle	<ul style="list-style-type: none"> • Business operation department • Legal department • Finance department 	<ul style="list-style-type: none"> • Assist in registration of assets and collaterals • Verify due registration of vehicle title or collaterals • Ensure that the security deposit and the down payment has been paid to us by our customer prior to our payment of the vehicle purchase price to the vehicle dealer in direct finance leasing and typical sale and leaseback as authorised by our customer
Portfolio management and monitoring	<ul style="list-style-type: none"> • Finance department • Asset management department 	<ul style="list-style-type: none"> • Ensure our customer's payment has been received by us • Conduct assessment of the assets quarterly and monitoring our customer's payment, financial condition and operations to determine any risk management and enforcement measures to be adopted

RISK MANAGEMENT

Risk management measures for different stages of a finance lease	Responsible department(s)/officer(s)	Functions
	<ul style="list-style-type: none"> • Business operation department 	<ul style="list-style-type: none"> • Contact our customer from time to time and send payment reminders three days before each payment due date to ensure the lease payment could be made timely and to obtain up-to-date information relating to our customer • Conduct daily spot check on the leased vehicle through the GPS online system
Risk management and enforcement measures in the event of overdue payment by our customer	<ul style="list-style-type: none"> • Business operation department • Asset management department • Legal department 	<ul style="list-style-type: none"> • Contact our customer to investigate as to the reason of default for defaults of not more than 60 days • Implement enforcement actions for defaults of more than 60 days, including repossession of the leased vehicle • Consider taking legal actions against our customer for defaults of more than 90 days

Stage 1: Initiation and internal review

Our employees in our business operation department will establish the initial relationship with potential customers. In conducting preliminary assessment of our corporate customers, we take into account a number of factors, such as our customer's operational history, financial position and credit history. We generally require our corporate customers to fulfill the following preliminary requirements:

- registered capital of not less than RMB5 million;
- at least three years' track record of operations with profit recorded in the recent two years;
- with more than 10 self-owned vehicles;

RISK MANAGEMENT

- self-operated logistics business with stable source of revenue;
- with revenue of more than RMB30 million per year for artery logistics companies or more than RMB20 million per year for city level logistics companies;
- with a fixed office;
- with a good credit history; and
- the customer or its controlling shareholder(s) or legal representative has no criminal record or not designated as a discredited person.

In conducting our preliminary assessment of our individual customers, we take into account a number of factors, such as the financial position, credit history, occupation and income of our customers. We generally require our individual customers to fulfill our following preliminary requirements:

- aged between 22 to 55, inclusively;
- with not less than two years of work experience in the industry that the lessee is currently working in or (if our customer is a driver) not less than three years of driving experience;
- with local property registered in the name of our customer or his/her spouse, or no change in address for at least the recent two years;
- with a good credit history; and
- the customer has no criminal record or not designated as a discredited person.

Stage 2: Due diligence and credit assessment

Once we have identified potential customers who meet our preliminary requirements, our business operation department will follow up with such customer. Our business operation department and our credit assessment department will conduct separate and independent due diligence investigations into the background and creditworthiness of the customer (including its controlling shareholder(s) if applicable). We have developed detailed checklists on the due diligence procedures so as to facilitate the due diligence investigations. For corporate customers, officers from our business operation department will conduct on-site visits at our customer's office and will request for information and documents relating to the customer's corporate records, business operations, financial position, management, purpose for the financing, credit history, personal and financial information relating to guarantors (if any) and certificate of ownership of additional collaterals (if any). For individual customers, officers from our business operation department will conduct home visits and will request for information and documents relating to the customer's occupation, family background, financial position, purpose for the financing, credit history, personal and financial information relating to guarantors (if any) and certificate of ownership of additional collaterals (if any). In addition, our credit assessment department will also conduct public searches, obtain credit rating reports and searches from independent credit rating companies.

RISK MANAGEMENT

If the results of the due diligence on such customer is satisfactory to our business operation department and our credit assessment department, the financing structure will be approved by our credit assessment department, chief operation officer and/or operation management committee depending on the net financing amount.

According to our internal credit assessment policy, net financing amount of individual customer may not exceed RMB0.4 million, while net financing amount of corporate customer may not exceed RMB3.0 million. Depending on the risk level, we may require additional collateral in the form of guarantees provided by our potential customer's legal representative or shareholders for corporate customers or by family members for individual customers. We also review these guarantors' creditworthiness as part of our due diligence.

Based on the results of the due diligence and credit assessment, our credit assessment department will review and approve applications with net financing amount of less than RMB250,000 if the results are satisfactory. For applications with net financing amount between RMB250,000 and RMB1.0 million, other than the approval from our credit assessment department, further review and approval of the application from our chief operation officer is required. For application with net financing amount exceeding RMB1.0 million, further review and approval of the application from our operation management committee is required.

Stage 3: Negotiation and signing

Our business operation department will typically fill in the details of our customers and terms of the finance leasing project using the standardised contracts prepared by our legal department. Our business department will execute a finance lease agreement with our customer and a guarantee with relevant guarantor (if required based on the credit assessment in Stage 2 above) in accordance with our prescribed procedures for the execution of contracts. Our legal department will be responsible for checking the completeness of the legal documents signed by our customers.

For typical sale and leaseback, since the leased vehicle will be typically registered under the name of the transportation company or our customer which holds the road transportation operation licence, our customer will also enter into an ownership transfer agreement with us pursuant to which our customer agrees to transfer all rights of the leased vehicles to us. In addition, we will also enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. As part of our risk management procedures and depending on the risk level of our customer, we will also arrange for the registration of the pledge of the leased vehicle to our Company at the relevant PRC authorities.

For direct finance leasing, ownership transfer agreement is not necessary since the vehicle will be registered under our name in the "Motor Vehicle Registration Certificate".

Upon signing of the finance leasing agreement, our customer will pay an "One-off Payment" which includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee and down payment (if applicable). The earnest money paid by our customer in Stage 1 will be applied to offset part of the "One-off Payment".

RISK MANAGEMENT

Stage 4: Payment and ownership of the leased vehicle

Our finance department will ensure the receipt of the “One-off Payment” paid to us by our customer in Stage 3. Our legal department will ensure the satisfaction of all other conditions precedent under the finance leasing agreement. Our legal department will inform our finance department for arranging the payment of the vehicle purchase price in full to the vehicle dealer in direct finance leasing and typical sale and leaseback as authorised by our customers.

Prior to the delivery of the vehicle to our customers, officers from our business operation department will arrange with the vehicle dealer to install the GPS devices in the vehicle. The installation of GPS devices is part of our risk management measures, which enables us to keep track of the leased vehicle. In the event of default on payment by our customer, we may exercise our right to repossess the leased vehicle, and the GPS devices enable us to locate the leased vehicle easily.

In direct finance leasing, our business operation department will arrange the registration of the leased vehicle under our name.

In typical sale and leaseback, as we may not be the registered owner of the leased vehicle on the “Motor Vehicle Registration Certificate”, an ownership transfer agreement is entered with the lessee of the leased vehicle so as to transfer all rights of the leased vehicle to us. In addition, we will also enter into an agreement with our customer and the transportation company pursuant to which, among others, the transportation company and our customer confirm that we possess all rights of the leased vehicle. According to the PRC Legal Advisers, the fact that we are not the registered owner of the leased vehicle on the “Motor Vehicle Registration Certificate” does not affect our ownership in the leased vehicle since our rights in the leased vehicle are confirmed under the ownership transfer agreement and the agreement with our customer and the transportation company. As part of our risk management procedures, and except in a small number of cases as set out in the paragraph headed “Operation workflow – Stage 3: Negotiation and signing” in the section headed “Business” in this prospectus, we will also require our customer to pledge the leased vehicle to our Company and arrange registration at the relevant PRC authorities with the assistance of our business operation department. According to the PRC Legal Advisers, if our customer transfers the leased vehicle to a third party without our consent, the registration of the pledge enables us to claim ownership from such third party based on the implied fact that such third party should have knowledge of the registered mortgage and thus should not be deemed as a bona fide purchaser. During the Track Record Period and up to the Latest Practicable Date, none of our customers has transferred the leased vehicles to third parties without our consent. Besides, our legal department will also verify the title of vehicles or collaterals are properly registered under our name.

In addition, in typical sale and leaseback, as part of our risk management procedures, we will require our customers to deliver the original Motor Vehicle Registration Certificate to us for our custody. According to the PRC Legal Advisers, the PRC regulations require the transferor to transfer the vehicle with the original Motor Vehicle Registration Certificate, thus

RISK MANAGEMENT

it is likely that the transferee of the vehicle will not be deemed as a bona fide purchaser if the transferee is aware that the transferor does not possess the original Motor Vehicle Registration Certificate. Hence even in the case of a sale and leaseback where the underlying leased vehicle is not registered under our name, since we keep the original Motor Vehicle Registration Certificate in our custody, we believe that we will be able to claim ownership from the third parties and repossess the leased vehicle if our customer attempt to transfer the leased vehicle to third party without our consent.

Step 5: Portfolio management and risks monitoring

Our asset management department, business operation department and finance department are collectively responsible for portfolio management. Our business operation department will typically 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 on a monthly basis, and will prepare monthly reports to senior management regarding such payments. In addition, our asset management department will conduct assessments of the assets in respect of our finance leasing projects quarterly, and will report these assessments to our operation management committee. Please refer to the paragraph headed “Asset quality information” in the section headed “Business” in this prospectus for details on the quality analysis of our assets.

Our business operation department and our asset management department are jointly responsible for portfolio management and supervision of each project in accordance with the agreed lease payment timetable, including conducting on-site or remote inspection of the leased vehicle. We conduct daily spot check on the leased vehicles through the GPS online system.

For customers who do not have overdue payments, our business operation department will regularly monitor the status of the vehicles through our GPS online system to monitor their utilisation. Our customers, who are mainly engaged in road freight/passenger transportation businesses, will mobilise the leased vehicles from place to place for most of the time during the day thereby producing frequent online GPS signals. The GPS online system enables us to easily track the location of the leased vehicles and recover them in case of any payment default. If any unusual mobilisation or significant low utilisation of the leased vehicles is recorded, for example, when we observe that a leased vehicle has gone offline for a few days, we will make inquiries with our customers to ensure that the leased vehicles are used as intended for our customer’s business operations.

In the event that payment is overdue by more than two days, our business operation department will immediately contact our customer to enquire our customer’s operational and financial conditions as well as the reason for late payment. We may also conduct on-site due diligence to check whether the leased vehicle is in good condition. Our business operation department will report their findings to the asset management department.

Step 6: Risk management and enforcement measures

We have internal policy to mitigate our potential losses. When we encounter certain “negative signals” (such as missed lease payments for more than 60 days, accidents involving leased vehicles, litigation relating to our customers), certain risk control procedures will be initiated to mitigate potential losses.

We will make telephone enquiry with our customer and/or conduct onsite due diligence if our customer defaults on its lease payment for 1 to 45 days. We will make enquiries as to the reasons for the default in payment and remind them to pay in accordance to the payment schedule as stated on the finance leasing agreement. We will issue demand letters when our customer defaults on its lease payment for more than 45 days. When our customer defaults on its lease payment for more than 60 days, we will consider to repossess the leased vehicle. For customer who defaults on its lease payment for more than 90 days, we may commence litigation against our customer. 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 leased vehicle and realising its value; (iii) any additional collateral and guarantee offered and provided by our customer; (iv) the credit record of our customer; and (v) our customer’s willingness to pay. Our asset management department will make an informed decision as to the course of action to be taken after officers from our business operation department has made relevant enquiry with our customers. Our asset management department will work together with our legal department in the event that such enforcement actions are taken by us.

RISK MANAGEMENT

Set forth below is a summary of the incidents which we did not initiate the risk control procedures upon customer defaults during the Track Record Period and up to the Latest Practicable Date:

Period of default by our customer (days)	Relevant risk enforcement measures	For the year ended 31 December 2016		For the year ended 31 December 2017		For the period since 1 January 2018 up to the Latest Practicable Date	
		Number of finance leases which we did not initiate the risk enforcement measures	Aggregate amount of outstanding lease receivables under such leases (approximate RMB) (Note 1)	Number of finance leases which we did not initiate the risk enforcement measures	Aggregate amount of outstanding lease receivables under such leases (approximate RMB) (Note 1)	Number of finance leases which we did not initiate the risk enforcement measures	Aggregate amount of outstanding lease receivables under such leases (approximate RMB) (Note 1)
1 to 60	Telephone enquiry and issue demand letters	-	-	-	-	-	-
61 to 90	Repossess the leased vehicle	80 (Note 2)	32,430,795	6 (Note 3)	6,800,713	29 (Note 4)	5,508,531
More than 90	Commence litigation	164 (Note 5)	49,902,359	275 (Note 6)	100,930,044	98 (Note 7)	24,635,150

Notes:

1. This figure represents the aggregate of (i) (where the relevant finance leases were transferred under the Asset Transfer Agreements) the amount of past due finance lease receivables of the relevant finance leases sold under the Asset Transfer Agreement; and (ii) (where in other cases) the amount of outstanding finance lease receivables under the finance leases at the beginning of the year.

2. Despite we did not repossess the leased vehicle, out of these finance leases, (i) we commenced litigation against our customer in respect of 5 of such leases (with the aggregate amount of outstanding lease receivables in the beginning of the year 2016 being approximately RMB5.2 million); and (ii) we sold the past due finance lease receivables under the remaining 75 leases (with the aggregate amount of the past due finance lease receivables being approximately RMB27.2 million) to an Independent Third Party in May 2017, details of which are set out in the paragraph headed “Step 6: Risk management and enforcement measures” in this section.
3. Despite we did not repossess the leased vehicle, out of these finance leases, (i) we commenced litigation against our customer in respect of 5 of such leases (with the aggregate amount of outstanding lease receivables in the beginning of the year 2017 being approximately RMB6.6 million); and (ii) we sold the past due finance lease receivables under the remaining 1 lease (with the amount of the past due finance lease receivables being approximately RMB0.2 million) to an Independent Third Party in May 2017, details of which are set out in the paragraph headed “Step 6: Risk management and enforcement measures” in this section.
4. Despite we did not repossess the leased vehicle, out of these finance leases, (i) we commenced litigation against our customer in respect of 24 of such leases (with the aggregate amount of outstanding lease receivables in the beginning of the year 2018 being approximately RMB4.9 million); and (ii) in respect of the remaining 5 leases with an aggregate amount of outstanding lease receivables in the beginning of the year 2018 being approximately RMB0.6 million, we were in the process of negotiation with our customers for settlement of the outstanding lease receivables as at the Latest Practicable Date.
5. Out of these finance leases, (i) in respect of 76 leases with the aggregate amount of outstanding lease receivables in the beginning of the year 2016 being approximately RMB17.5 million, after we repossessed the leased vehicles, our customers subsequently settled the outstanding lease receivables; (ii) we sold the past due finance lease receivables under 82 leases (with the aggregate amount of the past due finance lease receivables being approximately RMB28.5 million) to an Independent Third Party in May 2017, details of which are set out in the paragraph headed “Step 6: Risk management and enforcement measures” in this section; and (iii) in respect of the remaining 6 leases with an aggregate amount of outstanding lease receivables in the beginning of the year 2016 being approximately RMB3.9 million, we were in the process of negotiation with our customers for settlement of the outstanding lease receivables as at the Latest Practicable Date.
6. Out of these finance leases, (i) in respect of 150 leases with the aggregate amount of outstanding lease receivables in the beginning of the year 2017 being approximately RMB63.2 million, after we repossessed the leased vehicles, our customers subsequently settled the outstanding lease receivables; (ii) we sold the past due finance lease receivables under 81 leases (with the aggregate amount of the past due finance lease receivables being approximately RMB28.2 million) to an Independent Third Party in May 2017, details of which are set out in the paragraph headed “Step 6: Risk management and enforcement measures” in this section; and (iii) in respect of the remaining 44 leases with an aggregate amount of outstanding lease receivables in the beginning of the year 2017 being approximately RMB9.5 million, we were in the process of negotiation with our customers for settlement of the outstanding lease receivables as at the Latest Practicable Date.
7. Out of these finance leases, (i) in respect of 76 leases with the aggregate amount of outstanding lease receivables in the beginning of the year 2018, being approximately RMB18.4 million, after we repossessed the leased vehicles, our customers subsequently settled the outstanding lease receivables; and (ii) in respect of 22 leases with an aggregate amount of outstanding lease receivables in the beginning of the year 2018 being approximately RMB6.2 million, we were in the process of negotiation with our customers for settlement of the outstanding lease receivables as at the Latest Practicable Date.

RISK MANAGEMENT

8. The following table sets out the reconciliation of the difference in the amount of past due finance lease receivables transferred under the Asset Transfer Agreements as shown in the above notes and the aggregate amount of past due finance lease receivables transferred under the Asset Transfer Agreements (being approximately RMB34.6 million):

Category	Finance leases transferred under the Asset Transfer Agreements as set out in the above notes		(Adjustment) (Note a)		Actual finance leases transferred under the Asset Transfer Agreements taking into account the adjustment	
	Number of finance leases	Aggregate amount of past due finance lease receivables (approximately million RMB)	Number of finance leases	Aggregate amount of past due finance lease receivables (approximately million RMB)	Number of finance leases	Aggregate amount of past due finance lease receivables (approximately million RMB)
Defaulted by 61 to 90 days during 2016	75	27.2	(67) (Note b)	(21.3)	8	5.9
Defaulted by more than 90 days during 2016	82	28.5	(80) (Note c)	(28.0)	2	0.5
Defaulted by 61 to 90 days during 2017	1	0.2	(1) (Note d)	(0.2)	–	–
Defaulted by more than 90 days during 2017	81	28.2	–	–	81	28.2
Sub-total	239	84.1	(148)	(49.5)	91	34.6
Others (Note e)					3	0
Total					94	34.6

Note a: Adjustments are made as certain finance leases transferred under the Asset Transfer Agreements are included in more than one category in the table on p. 153.

Note b: Such finance leases were subsequently defaulted by more than 90 days during the year ended 31 December 2016, hence such finance leases are included in the finance leases being transferred under the Asset Transfer Agreements in both Note 2 and Note 5 above.

Note c: Such finance leases remained defaulted by more than 90 days during the year ended 31 December 2017, hence such finance leases are included in the finance leases being transferred under the Asset Transfer Agreements in both Note 5 and Note 6 above.

Note d: Such finance lease was subsequently defaulted by more than 90 days during the year ended 31 December 2017, hence such finance leases are included in the finance leases being transferred under the Asset Transfer Agreements in both Note 3 and Note 6 above.

Note e: “Others” represent the three finance leases with one customer whom the Group has followed its internal control policy in initiating risk control procedures upon customer default. This defaulting customer has repaid all the outstanding lease receivables after the signing of the relevant Asset Transfer Agreements and prior to the transfer of lease receivables under the relevant Asset Transfer Agreements.

RISK MANAGEMENT

Under our finance lease agreement, we are entitled to several remedies when there is a default by our customer including accelerating repayment of finance lease receivables, commencing litigation if further negotiations with our customer are not successful, and repossessing the leased vehicle.

In addition to the above risk management procedures, we may also consider transferring our past due finance lease receivables to a third party such as asset management companies in the PRC.

Our asset management department will select and group our past due finance lease receivables for disposal if they meet the following requirements:

- past due for over 180 days;
- upon completing our standard risk management procedures, our credit assessment department considers that the collection of the outstanding lease receivables through litigation is difficult or the location of the leased vehicle is far;
- the cost of our risk management and enforcement measures is expected to be greater than the disposal loss; or
- our management considered that the disposal is necessary.

Our asset management department will send the grouped past due finance lease receivables to different asset management companies for quotation. Based on the quotation and the settlement terms provided by the asset management companies, our credit assessment department will make recommendation to the operation management committee and the Board for their approval. In May 2017, we entered into three Asset Transfer Agreements with an Independent Third Party pursuant to which our Group sold our past due finance lease receivables with an aggregate amount of approximately RMB34.6 million (before provision for impairment loss) under 94 vehicle finance leasing agreements to an Independent Third Party at a consideration of approximately RMB28.1 million. Such Independent Third Party is an asset management company established and approved in 2015 by the China Banking and Insurance Regulatory Commission to engage in business of bulk transfer of non-performing assets in the PRC with a registered capital of RMB2 billion. As a result of the disposal of finance lease receivables under the Asset Transfer Agreements, finance lease receivables of a total carrying amount of approximately RMB29.7 million (net of provision for impairment loss of approximately RMB4.9 million) was derecognised by our Group against a total cash consideration of approximately RMB28.1 million, which resulted in a loss on finance lease receivables of approximately RMB1.6 million charged to profit or loss. The transfer of the past due finance lease receivables under the Asset Transfer Agreements were without recourse against us. Pursuant to the Asset Transfer Agreements, we transferred to the purchaser all our rights under the respective finance lease agreements, including our rights to the lease receivables. Within 30 days from the signing of the Asset Transfer Agreements, we should deliver to the purchaser the finance lease agreements in respect of the relevant past due finance lease receivables and other related legal documents evidencing the ownership of the leased vehicles under such finance leases.

RISK MANAGEMENT

According to the Industry Report, the transfer of past due finance lease receivables to third parties such as asset management companies 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 past due finance lease receivables. 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. As confirmed by the Directors, such Independent Third Party has no other relationships and/or dealings between the Group, its shareholders, directors, employees or any of their respective associates.

For our existing past due finance lease receivables 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, or disposing of the underlying assets and/or collateral.

Although we do not currently intend to transfer any of our existing past due finance lease receivables, 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 past due finance lease receivables in the future, it is our intention that the transfers will be without recourse against us, and we will also endeavour to avoid or minimise our losses (if any) in connection with the transfer after taking into account our provision and the security deposits received (if any).

Machinery and equipment finance leasing

During the Track Record Period, other than the machinery finance lease agreements with Xin You in relation to the leasing of elevators which are due to expire by 2020, we have not entered into any new machinery and equipment finance leasing agreements despite we continue to receive lease receivables under the machinery and equipment finance leasing agreements entered into prior to the Track Record Period. As at the Latest Practicable Date, other than the finance lease agreements in relation to the leasing of elevators with Xin You, all obligations under the existing machinery and equipment finance lease agreements have been fulfilled and all amounts due to our Group thereunder have been received by our Group.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due and may arise from balance or maturity mismatches of financial assets and liabilities. We have managed our balance sheet and been able to maintain what we believe to be a satisfactory level of matching of our assets and liabilities. In addition, we have adopted effective strategies to manage our liquidity risk through ongoing capital budgeting, liquidity risk monitoring and timely refinancing.

RISK MANAGEMENT

Our finance department is primarily responsible for managing and controlling our liquidity risk. To manage liquidity risk, we have adopted the following measures:

- maintain daily record of balance of cash inflows and outflows from finance leases;
- maintain a weekly and monthly funding plan to identify and address any potential shortfall in short-term cash flow. Towards the end of each week/month, our finance department, based on the financing amount, lease receivables, payment of loans and/or loan interests in the coming week/month, formulates the weekly/monthly funding plan and sends it to our chief finance officer for review;
- obtain borrowings at a cost that is reasonably lower than the interest charged by our finance leasing from diversified sources, such as bank and financial institutions so as to maintain a broad and cost effective funding base; and
- conduct liquidity analysis, and assessing present and projected liquidity risks of our business by our finance department.

INTEREST RATE RISK MANAGEMENT

Interest rate risk represents exposure to adverse movements in interest rates. The interest rate risk that we face is relatively limited because our assets and liabilities are generally based on fixed interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank and other borrowings and lease receivables.

Our finance department is primarily responsible for managing and controlling the interest rate risk. To better manage our interest rate risk, we have adopted the following measures:

- tracking interest rate fluctuations regularly;
- monitoring the sensitivity of projected net interest income under varying interest rate scenarios, and perform sensitivity analysis on the Group's cash flow when the benchmark interest rate of the People's Bank of China is increased by 25 basis points.

Although the benchmark interest rate of the People's Bank of China has not changed since October 2015, the Group has still performed sensitivity analysis during year end for each of the years ended 31 December 2016 and 2017 for changes in the benchmark interest rate.

OPERATIONAL RISK MANAGEMENT

Operational risk arises mainly 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.

Our Board and our senior management oversee the overall controls of our Company. Our business operation department are mainly responsible for managing and controlling the operational risk. Our operation management committee performs periodic investigations into the quality and effectiveness of the internal control systems and procedures and our overall operational risk management.

RISK MANAGEMENT

With the aim to prevent losses from operational errors and maintain our reputation, we have adopted the following measures to identify, assess, monitor, control and mitigate operational risks, and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of the Board, senior management, operation management committee as well as the various departments;
- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- maintaining and continuously improving our operational procedures and internal control system, and utilising our information technology system to monitor and control the performance of each procedure;
- adopting standardised finance leasing contracts;
- providing training to our employees in order to enhance their awareness against fraud and other crimes;
- reviewing, assessing and adjusting our internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as the regulatory requirement;
- adopting a code of conduct with consistent disciplinary measures for employee misconduct; and
- providing a reporting channel for violations and abnormal conduct or incidents.

EXCHANGE RATE RISK MANAGEMENT

Our primary business operations are exposed to limited foreign exchange rate risk because our domestic operations and finance leasing business are primarily funded in local currency. Our exposure to the risk of changes in foreign exchange is primarily due to the proceeds which will be raised in foreign currencies after being listed on the Stock Exchange and foreign currency bank borrowings which we may obtain in future. Our finance department is primarily responsible for managing and controlling the exchange rate risk. To better manage our interest rate risk, we have adopted the following measures:

- establishing policies to track the latest exchange rate fluctuations regularly; and
- our finance department to formulate plans to mitigate the foreign exchange risk.

We may consider to mitigate our exchange rate risk by conducting derivatives hedging. We will review our internal policies and define an appropriate internal policy for derivatives hedging prior to conducting any derivatives hedging.

RISK MANAGEMENT

LEGAL AND COMPLIANCE RISK

Legal and compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage resulting from failure to comply with applicable laws, regulations, rules or other regulatory requirements.

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our finance lease operations, capital structure and pricing policy, which may be subject to changes. Please refer to the section headed “Regulations” in this prospectus 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.

Our Board, through our senior management, supervises the control and management of legal and compliance risk, and monitors the operation management committee to take necessary inspection, estimation, monitoring and measures. Our legal department is responsible for formulating and coordinating the implementation of measures to manage such risk.

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;
- engaging lawyers to advise our Group in relation to legal compliance;
- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities;
- publishing internal control manual and conducting compliance training to promote a culture of compliance; 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

OUR CONTROLLING SHAREHOLDERS

Upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), our Company will be held as to 75% by View Art. View Art is an investment holding company incorporated in the BVI with limited liability and is wholly owned by Mr. Chau David. Hence, View Art and Mr. Chau David will be regarded as our Controlling Shareholders upon Listing. Mr. Chau David is our executive Director, and for more information relating to Mr. Chau David, please refer to the paragraph headed “Directors” under the section headed “Directors and senior management” in this prospectus.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Directors, our Controlling Shareholders, our substantial shareholders and their respective close associates does not have any interest in any business apart from our Group’s business which competes or may compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after Listing based on the following reasons:

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of our overall business plans and corporate strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Chau David, one of our Controlling Shareholders, an executive Director, our Chairman and chief executive officer, who is also a director of View Art, one of our Controlling Shareholders. Save as disclosed above, none of our Directors or senior management serve any executive or management role in View Art or any of the close associates of our Controlling Shareholders. Although our Controlling Shareholders will retain controlling interests in our Company upon Listing, the day-to-day management and operations of the business of our Group will be the responsibility of our Directors. Furthermore, our Board and senior management team function independently to oversee our Group’s business and are in a position to fully discharge their duties to our Shareholders as a whole upon Listing, and our independent non-executive Directors are also expected to oversee our Board independently to ensure that there is no potential conflict of interest. Our Directors are satisfied that the senior management team of our Group will be able to perform their roles in our Group independently, and our Directors are of the view that our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Group is capable of managing its business independently from our Controlling Shareholders and their respective close associates after Listing. For more information relating to our senior management team, please refer to the section headed “Directors and senior management” in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

Operational Independence

Despite the fact that we have certain continuing connected transactions, particulars of which are set out in the section headed “Connected transactions” in this prospectus, our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has independent access to customers for our business and an independent management team to handle our day-to-day operations. Our Group has also established a set of internal control measures to facilitate effective operations of our business.

Save as disclosed in this prospectus, our Directors confirmed that our Group will not enter into any transaction with our connected persons and their close associates after Listing that will affect our operational independence. Our Directors are of the view there is no operational dependence on our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payment and we make financial decisions according to our own business needs. Our accounting and finance personnel are responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, our Group provided loans to Mr. Chau David, Kailan and Xin You. The outstanding balances of the loans to Mr. Chau David, Kailan and Xin You were approximately RMB21.0 million, RMB1.9 million and RMB14.3 million, respectively, as at 31 December 2016 and nil, nil and RMB10.0 million, respectively, as at 31 December 2017 and nil, nil and RMB10.0 million, respectively, as at 30 June 2018. As at the Latest Practicable Date, the loans due from Mr. Chau David and Kailan had been fully settled whereas the loan to Xin You had been fully settled prior to the date of this prospectus. On the other hand, Mr. Chau David made advances to our Group during the Track Record Period. As at 31 December 2016 and 2017 and 30 June 2018, the amounts due from our Group to Mr. Chau David was

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

approximately nil, RMB4.9 million and nil. The outstanding amounts due to Mr. Chau David as at 31 December 2017 had been settled. Furthermore, during the Track Record Period, certain bank borrowings were secured/guaranteed by personal guarantee of Mr. Chau David who is our Controlling Shareholder. For further details, please refer to paragraph headed “Indebtedness – Bank and other borrowings” under the section headed “Financial information” and note 23 of the Accountants’ Report in Appendix I to this prospectus. As at the Latest Practicable Date, the guarantee provided by our Controlling Shareholder had been released. We will not rely on our Controlling Shareholders for financing after Listing. Our Directors, confirmed that, save as disclosed in the prospectus, our Controlling Shareholders have not provided any guarantees, loans or pledges in favour of our Group during the Track Record Period and up to the Latest Practicable Date.

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including internal resources and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this prospectus, without dependence on our Controlling Shareholders and their respective close associates. Our Directors further believe that, upon Listing, our Group will be capable of obtaining financing from external sources independently without the support of our Controlling Shareholders and their respective close associates.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares to our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Underwriters. Please refer to the paragraph headed “Undertakings” under the section headed “Underwriting” in this prospectus for details.

DEED OF NON-COMPETITION

In order to maintain a clear delineation of the businesses between our Group and our Controlling Shareholders (together the “**Covenantors**”), our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly, compete with the Group or otherwise be involved in the Restricted Business (as defined below).

Under the Deed of Non-competition:

- (a) (i) each of the Covenantors irrevocably undertakes to our Company (for itself and as trustee for each of its subsidiaries from time to time) that he/it shall not, and shall procure that none of their respective close associates (other than through our Group) shall, during the period (the “**Restricted Period**”) in which (i) the Shares remain listed on the Stock Exchange; and (ii) the Covenantors and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company, directly or indirectly,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold any right or interest in or provide any financial assistance, technical support or business know-how to any other person to carry on (in each case whether as a shareholder, director, employee, partner, agent or otherwise and whether for profit, reward or otherwise) any activity or business which competes or is likely to compete, whether directly or indirectly, with any business and related business activities engaged by our Group (including but not limited to provision of vehicle finance leasing, machinery and equipment leasing and commercial factoring) and any other new business which our Group may undertake from time to time after Listing in the PRC and such other places as our Group may conduct or carry on business from time to time (the “**Restricted Business**”);

(ii) notwithstanding the undertakings set out in paragraph (a)(i) above, each of the Covenantors may either by himself/itself individually or through his/its close associate(s):

(1) hold and/or be interested in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Business, provided that (i) the total shareholding held by the Covenantors and their respective close associates in such listed company, whether directly or indirectly, do not, in aggregate, exceed five per cent of the issued share capital of such listed company; (ii) the Covenantors and their respective close associates will not participate in or be otherwise involved in the management of that listed company; and (iii) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Business accounts for less than 10% of that listed company’s consolidated turnover or consolidated assets;

(2) hold and/or be interested in any shares or other securities in any companies which are engaging in the Restricted Business where the Covenantors are already, directly or indirectly, interested or has invested in the operations of such companies on or before 30 June 2018; and

(3) hold shares and other securities in any member of the Group;

(b) each of the Covenantors further undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) is first referred to our Group (the “**Right of First Refusal**”) in the following manner:

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (c) (i) the Covenantors are required to, and shall procure the Offeror to refer or procure the referral of the New Opportunity to our Group, and shall give written notice (the “**Offer Notice**”) to our Company of such New Opportunity as soon as practicable after such opportunity arises, giving details of the nature of the New Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether (1) the New Opportunity forms part of the Restricted Business, and/or (2) it is in the interest of our Group and the shareholders of our Company as a whole to pursue the New Opportunity;
- (ii) upon receiving the Offer Notice, our Company shall seek approval from the independent board committee (the “**Independent Board Committee**”) of the Company comprising the independent non-executive Directors as to whether to pursue or decline the New Opportunity (any Director who has actual or potential interest in the New Opportunity shall abstain from attending unless their attendance is specifically requested by the Independent Board Committee, and voting at, and shall not be counted in the quorum for, any meeting convened to consider such New Opportunity);
- (iii) the Independent Board Committee shall consider the financial impact of pursuing the New Opportunity offered, whether the nature of the New Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such New Opportunity;
- (iv) the Independent Board Committee shall, within 15 business days of receipt of the Offer Notice, inform the Covenantors in writing on behalf of our Company its decision whether to pursue or decline the New Opportunity;
- (v) the Offeror shall be entitled but not obliged to pursue the New Opportunity only if (1) the Independent Board Committee has served a written notice on the Offeror and the Covenantors declining such New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group (the “**Decline Notice**”), or (2) the Independent Board Committee has not served a notice within 15 business days from our Company’s receipt of the Offer Notice; and
- (vi) if there is a material change in the nature, terms and conditions of the New Opportunity (or any subsequent revised New Opportunity) offered by the Offeror, each of the Covenantors is required to, and shall procure their respective close associate to, refer or procure the referral of such revised New Opportunity in the manner provided for in paragraph (c)(i) above, and the Independent Board Committee shall have a further 15 business days period to provide a response to the Offeror and the Covenantors;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (d) each of the Covenantors further undertakes and agrees:
- (i) not to pursue, and to procure that none of their respective close associates shall pursue a New Opportunity unless our Group decides not to pursue such New Opportunity;
 - (ii) not at any time to induce or attempt to induce directly or indirectly, any director, manager or employee of our Group to terminate his or her service contract, contract of employment with our Group, whether or not such act of that person would constitute a breach of that person's service contract, contract of employment;
 - (iii) not at any time to solicit or persuade, directly or indirectly, any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group;
 - (iv) to provide all relevant information for the annual review by the independent non-executive Directors for the compliance with and the enforcement of the Deed of Non-competition;
 - (v) that neither the Covenantors nor their respective close associates are currently carrying on or engaging or participating or interested or involved, directly or indirectly, (whether as a shareholder, director, employee, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business that directly or indirectly competes or may lead to a competition with our Group or in the Restricted Business otherwise than through our Group and save as disclosed in this prospectus;
 - (vi) to allow, subject to confidentiality restrictions imposed by any third party, the representatives of our Company and of the auditors of our Company to have access to its/his financial and/or corporate records as may be necessary for the independent non-executive Directors to determine whether the Covenantors and their respective close associates have complied with the terms of the Deed of Non-competition;
 - (vii) to make an annual declaration in a form determined by our Company on the compliance with the terms of the Deed of Non-competition in accordance with the principle of voluntary disclosure in our Company's corporate governance report within two months after the date upon which the financial period of our Company ends, or if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in our Company's corporate governance report;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (viii) that the independent non-executive Directors will review, at least on an annual basis, the Covenantors and their respective close associates' compliance with the terms of the Deed of Non-competition and undertake to provide such information as they and/or their close associates may possess and is necessary as required by the independent non-executive Directors for determination of the compliance with the terms of the Deed of Non-competition;
- (ix) that our Company may disclose decisions on matters reviewed by its independent non-executive Directors relating to the breach and enforcement of the terms of the Deed of Non-competition (if any) and confirm its or its close associates' compliance during the relevant period under review, as the case may be, in the annual report of our Company or by way of announcements to the public;
- (x) the Covenantors, for themselves and on behalf of their respective close associates (except any members of our Group), acknowledge that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which the Shares may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's corporate communications in relation to the New Opportunity and agree to the disclosure to the extent necessary (including, for the avoidance of doubt, our Company's advisors) to comply with any such requirement; and
- (xi) that if there are material interests involved with respect to any participation or involvement in the Restricted Business, the Covenantors shall abstain, and shall procure their respective close associates (other than members of our Group), with such material interests, to abstain, from voting at all the meetings of Directors and holders of Shares on resolutions concerning our Group making the decision as to whether or not to participate or invest or be involved in the relevant Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (i) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (iii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iv) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (v) our Controlling Shareholders will make an annual declaration on compliance with their Deed of Non-competition in the annual report of our Company;
- (vi) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in a Restricted Business and if so, any condition to be imposed;
- (vii) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company; and
- (viii) our Company has appointed Octal Capital Limited as its compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

CONNECTED TRANSACTIONS

The following connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms not less favourable to our Company than those available from the Independent Third Parties, and are expected to continue following the Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute exempt continuing connected transactions of our Company for the purpose of Chapter 20 of the GEM Listing Rules:

Background and principal terms of the Tenancy Agreements

During the Track Record Period, Metropolis Leasing leased certain units in Shanghai, the PRC, from Mr. Chow Chuen Chung for use as head office of our Group, and entered into the following tenancy agreements (the “**Previous Tenancy Agreements**”):

Date:	8 April 2017	14 September 2017
Premises (“ Office Premises ”):	Unit 7002, 887 Huai Hai Zhong Road, Huangpu District, Shanghai, PRC	Units 7003A, 7004, 7005A-1, 887 Huai Hai Zhong Road, Huangpu District, Shanghai, PRC
Terms:	17.5 months commencing from 16 April 2017 and ending on 30 September 2018	One year commencing from 1 October 2017 and ending on 30 September 2018
Total gross area:	81.61 square metres	637.84 square metres
Monthly rent:	RMB14,689.8	RMB95,676.0
Other terms:	Metropolis Leasing is responsible for building management charges and other outgoings payable to relevant companies or authorities. Rent free period from 16 April 2017 to 15 July 2017.	Metropolis Leasing is responsible for building management charges and other outgoings payable to relevant companies or authorities.

On 26 November 2018, Metropolis Leasing and Mr. Chow Chuen Chung entered into a tenancy agreement (the “**New Tenancy Agreement**, together with the Previous Tenancy Agreements, the “**Tenancy Agreements**”) to renew the leasing of the Office Premises for a term of 27 months commencing from 1 October 2018 to 31 December 2020 at a monthly rent of RMB110,365.8.

CONNECTED TRANSACTIONS

Historical transaction amount and proposed annual caps

For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the total amount paid/payable by Metropolis Leasing for leasing the Office Premises was RMB1,128,977, RMB1,232,430 and RMB647,082, respectively.

For the years ending 31 December 2018, 2019 and 2020, the proposed annual caps of aggregate amount payable by Metropolis Leasing for leasing the Office Premises will be RMB1.35 million, RMB1.35 million and RMB1.35 million, respectively.

The transactions under the Tenancy Agreements and the leasing of Office Premises are on normal commercial terms. The proposed annual caps with respect to the Tenancy Agreements and the leasing of Office Premises was determined with reference to the monthly rental payable under the Tenancy Agreements, and the prevailing market rates of similar properties in the locality.

GEM Listing Rules implications

Mr. Chow Chuen Chung, being the father of Mr. Chau David, our Controlling Shareholder, Chairman and executive Director, is a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) for such transaction is expected to be less than 5% and the total consideration is expected to be less than HK\$3,000,000, the transactions under the Tenancy Agreements and the leasing of Office Premises constitute de minimis continuing connected transactions under Chapter 20 of the GEM Listing Rules after the Listing, and will be fully exempted from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 20.74(2) OF THE GEM LISTING RULES

Upon Listing, the transactions set forth below will constitute non-exempt continuing connected transactions under Rule 20.74(2) of the GEM Listing Rules which are subject to reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements for the purpose of Chapter 20 of the GEM Listing Rules:

Background and principal terms of the Finance Lease Master Agreement

On 5 June 2015, Metropolis Leasing, as lessor, entered into a finance lease master agreement in relation to leasing of certain number of elevators (the “**Elevators**”) (the “**Finance Lease Master Agreement**”) with Xin You, as lessee.

CONNECTED TRANSACTIONS

The principal terms of the Finance Lease Master Agreement are as follows:

- (i) Metropolis Leasing shall enter into sale and purchase agreement(s) with the supplier (the “**Elevator Supplier**”) designated by Xin You, and purchase the Elevators from the Elevator Supplier for the purpose of leasing them to Xin You;
- (ii) Metropolis Leasing shall lease the Elevators to Xin You, and enter into individual lease agreements (the “**Individual Lease Agreements**”, each an “**Individual Lease Agreement**”) which set out specific terms and conditions, including the amount of finance lease principal and finance lease interests, finance lease period (the “**Lease Period**”) and other terms, with Xin You;
- (iii) Xin You shall pay to Metropolis Leasing the finance lease principal and finance lease interests pursuant to the Individual Lease Agreements; and
- (iv) upon the end of the Lease Period and the fulfillment of Xin You’s obligation under the Finance Lease Master Agreement and the relevant Individual Lease Agreements, the ownership of the Elevators will be transferred to Xin You.

For the period from 5 June 2015 to 31 December 2017, Metropolis Leasing entered into 17 Individual Lease Agreements, two of which were completed as at the Latest Practicable Date. By an agreement dated 27 November 2018 supplemental to the Finance Lease Master Agreement, Metropolis Leasing and Xin You agreed that they would not enter into any other Individual Lease Agreements. Our Company further confirm that save as the 17 Individual Lease Agreements, Metropolis Leasing did not enter into any other Individual Lease Agreements.

Pursuant to the Individual Lease Agreements, Xin You shall pay to Metropolis Leasing the finance lease principal and finance lease interests at the end of the Lease Period. The Lease Period set out under each Individual Lease Agreement is 36 months, commencing from the date on which Metropolis Leasing pays the first instalment of purchase price of the Elevators to the Elevator Supplier. The Lease Period of the last Individual Lease Agreement will end in August 2020.

Historical transaction amount and proposed annual caps

For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the total amount of finance lease income received under the 17 Individual Lease Agreements was approximately RMB0.1 million, RMB0.4 million and RMB0.3 million, respectively.

Our Directors estimate that for the years ending 31 December 2018, 2019 and 2020, the total amount of finance lease income to be received under the 17 Individual Lease Agreements will be RMB1.7 million, RMB2.8 million and RMB6.3 million, out of which RMB1.3 million, RMB2.2 million and RMB5.0 million being the amount of annual caps of the finance lease principal, respectively, and RMB0.4 million, RMB0.6 million and RMB1.3 million being the amount of annual caps of the finance lease interests, respectively.

CONNECTED TRANSACTIONS

The transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) are on normal commercial terms. The amount of finance lease income was determined with reference to the interest margin, the market interest rate in respect of the finance lease arrangement of similar equipments. The proposed annual caps with respect to the transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) were determined with reference to the aggregate transaction amount set out under the 17 Individual Lease Agreements.

GEM Listing Rules implications

Xin You is indirectly wholly-owned by a company, 80% of the equity interest of which is held by Mr. Chow Chuen Chung and 20% of the equity interest of which is held by Ms. Chau On. Ms. Chau On is our non-executive Director and the mother of Mr. Chau David, our Controlling Shareholder, Chairman and executive Director. Mr. Chow Chuen Chung, being the father of Mr. Chau David and the spouse of Ms. Chau On, is a connected person of our Company and therefore, Xin You is a connected person under Rule 20.07(4) of the GEM Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) for such transactions is expected to be more than 5% but less than 25% and the annual cap for each of the three years ending 31 December 2020 is less than HK\$10,000,000, the transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) are subject to reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules after the Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 20.103 of the GEM Listing Rules from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules in respect of the continuing connected transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements).

Directors' view

Our Directors, including our independent non-executive Directors, consider that the transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) and the annual caps set forth above are fair and reasonable, and that they have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors further confirm that, save as disclosed above, Metropolis Leasing will not enter into other Individual Lease Agreements pursuant to the Finance Lease Master Agreement upon Listing.

CONNECTED TRANSACTIONS

The Sole Sponsor's view

The Sole Sponsor is of the view that the transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) and the annual caps set forth above are fair and reasonable, and they have been entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as Director	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management
Chau David (alias Chow Tai Lik) (周大為)	33	25 May 2009	Chairman, chief executive officer and executive Director	29 June 2017	Responsible for overall corporate strategies, management and business development of our Group	Cousin of Ms. Zhou Hui and son of Ms. Chau On
Zhou Hui (周卉)	36	1 September 2010	Chief operation officer and executive Director	29 August 2017	Responsible for risks management and compliance of our Group	Cousin of Mr. Chau David and niece of Ms. Chau On
Chau On (周安)	63	18 June 2009	Non-executive Director	29 August 2017	Responsible for supervising the Board and providing strategic advice to the Board	Mother of Mr. Chau David and auntie of Ms. Zhou Hui
Lau Chung Wai (劉仲緯)	36	23 November 2018	Independent non-executive Director	23 November 2018	Supervising and providing independent judgment to the Board	No
Mo Luojiang (莫羅江)	39	23 November 2018	Independent non-executive Director	23 November 2018	Supervising and providing independent judgment to the Board	No
Lo Kai Tung (盧啟東)	36	23 November 2018	Independent non-executive Director	23 November 2018	Supervising and providing independent judgment to the Board	No

Executive and non-executive Directors

Mr. Chau David (alias Chow Tai Lik) (周大為先生), aged 33, is our Chairman, chief executive officer and executive Director, our Controlling Shareholder and the founder of our Group. Mr. Chau David was appointed as our Director on 29 June 2017 and was re-designated as an executive Director on 8 March 2018. Mr. Chau David is primarily responsible for the overall corporate strategies, management and business development of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chau David is the founder of our Group. Based on when he first founded our Group, he has over eight years of experience in finance services, focusing on vehicle finance leasing and has been a key driver of our Group's business strategies and achievements to date and will continue to oversee the management of the business operations of our Group. Mr. Chau David is currently a director of Metropolis Asia, a director of Metropolis Hong Kong and a director and legal representative of Metropolis Leasing. He has been the legal representative of Xin You which engages in property development since August 2010. Prior to founding our Group, Mr. Chau David was a chief executive officer and an art director of Shanghai Hwa's Cultural Development Co., Ltd.* (上海華氏文化發展有限公司) ("Shanghai Hwa's"), an artwork trading company, from November 2007 to September 2009. Through participating in the daily operation and management of Shanghai Hwa's and further developing the operation scale of Shanghai Hwa's, he accumulated knowledge and experience in business and management.

Mr. Chau David obtained a Bachelor of Arts degree from the University of British Columbia in Canada in November 2007.

Mr. Chau David was the director and legal representative of the following company before its dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Xinren Leasing (信仁融資租賃(上海)有限公司)	PRC	Company did not engage in any business activity since incorporation	30 October 2017	Deregistration by way of members' resolutions	Company did not engage in any business activity since incorporation

As confirmed by Mr. Chau David, the aforesaid company was solvent at the date of dissolution. So far Mr. Chau David was aware, there was no wrongful act on his part leading to the deregistration of the said company, and such deregistration had not resulted in any liability or obligation imposed against him.

Mr. Chau David does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Mr. Chau David is the cousin of Ms. Zhou Hui, our executive Director and chief operation officer and the son of Ms. Chau On, our non-executive Director.

Ms. Zhou Hui (周卉女士) ("Ms. Zhou"), aged 36, is our executive Director and our chief operation officer. Ms. Zhou was appointed as our Director on 29 August 2017 and was re-designated as an executive Director on 8 March 2018. Ms. Zhou joined our Group as a vice president in September 2010. She is primarily responsible for risks management and compliance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhou has more than 12 years of experience in risks management of which she has seven years of experience in vehicle finance leasing sector. Prior to joining our Group, Ms. Zhou worked as a tax associate in Deloitte Touche Tohmatsu from August 2006 to March 2007 and deputy manager of risk management, responsible for risk control and assessment, in Bank of East Asia (China) Limited from March 2007 to September 2010. She has been the legal representative of Shanghai Junyu Asset Management Company Limited* (上海君禦資產管理有限公司) which engages in asset management, Shanghai Aoya Information Technology Company Limited* (上海澳亞信息科技有限公司) which engages in information technology, since October 2016 and December 2016, respectively.

Ms. Zhou obtained a bachelor's degree in commerce from the University of Otago in New Zealand in December 2005.

Ms. Zhou does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Ms. Zhou is the cousin of Mr. Chau David, our Chairman, chief executive officer, executive Director and Controlling Shareholder and the niece of Ms. Chau On, our non-executive Director.

Ms. Chau On (周安女士), aged 63, is our non-executive Director. Ms. Chau On was appointed as our Director on 29 August 2017 and was re-designated as a non-executive Director on 8 March 2018. She is primarily responsible for supervising the Board and providing strategic advice to the Board. Ms. Chau On is currently the director of Metropolis Hong Kong and a supervisor of Metropolis Leasing.

Ms. Chau On has more than eight years of experience in the administrative field. She has been a director of Xin You, which engages in property development since May 2010.

Ms. Chau On obtained a bachelor's degree in politics and education from Shanghai Normal University (currently known as East China Normal University* (上海華東師範大學)) in January 1980.

Ms. Chau On was a director of the following company before its dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Shanghai Kangyi Stainless Steel Products Co., Ltd.* 上海康藝不銹鋼製品有限公司	PRC	Stainless steel kitchenware production	24 December 2002	Business licence was revoked	Failure to participate in an annual inspection within the prescribed deadline

DIRECTORS AND SENIOR MANAGEMENT

As confirmed by Ms. Chau On, since she had not participated in the daily operation of such company, she did not attend to the formalities of annual examination. According to the relevant PRC regulations, a PRC company is required to undergo annual inspection. Failing to undergo annual inspection within the prescribed deadline, its business licence shall be revoked by the relevant enterprise registration organ. So far as Ms. Chau On was aware, there was no wrongful act on her part leading to the revocation of business licence of the said company, and such revocation had not resulted in any liability or obligation imposed against her.

Ms. Chau On does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date. Ms. Chau On is the mother of Mr. Chau David, our Chairman, chief executive officer, executive Director and Controlling Shareholder and the auntie of Ms. Zhou, our executive Director.

Independent non-executive Directors

Mr. Lau Chung Wai (劉仲緯先生) (“**Mr. Lau**”), aged 36, was appointed as our independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the audit committee of the Board and member of the nomination committee and remuneration committee of the Board.

Mr. Lau has over 14 years of experience in accounting and finance. Prior to joining our Group, Mr. Lau had been working in Ernst & Young from September 2004 to September 2011 and his last position was manager of the assurance service team. He was a finance manager in a media company which is a subsidiary of Publicis Groupe SA, a company listed on the Euronext Paris (stock code: PUB. PA), from September 2011 to April 2013, and group financial controller of an enterprise engaging in the manufacturing of furniture and home decoration products in the PRC from May 2013 to July 2015. Since August 2015, Mr. Lau has been chief financial officer and company secretary of Da Sen Holdings Group Limited (stock code: 1580), the shares of which are listed on the Main Board of the Stock Exchange. Since August 2017, Mr. Lau has been company secretary of IAG Holdings Limited (stock code: 8513), the shares of which are listed on GEM of the Stock Exchange.

Mr. Lau obtained his bachelor of business administration in accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) in January 2014 and has become member and fellow of HKICPA since January 2008 and May 2015, respectively.

Mr. Lau does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Mo Luojiang (莫羅江先生) (“**Mr. Mo**”), aged 39, was appointed as our independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the remuneration committee of the Board and member of the audit committee and nomination committee of the Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mo has more than 15 years of experience in trading of petrochemical and agricultural products and financial services in the PRC. Mr. Mo joined at Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) (stock code: 1103) (“**Dasheng Agriculture Finance**”), the shares of which are listed on the Main Board of the Stock Exchange, in July 2003 and was responsible for the preparation of the listing of Dasheng Agriculture Finance in Hong Kong and in charge of its business operation. Mr. Mo has served several positions at Dasheng Agriculture Finance, including its secretary of the board from July 2003 to July 2006 and from April 2012 to May 2013, its vice general manager from May 2006 to June 2013, its executive vice general manager from March 2007 to December 2010 and its executive director from May 2007 to June 2012 when Dasheng Agriculture Finance was listed on GEM. Mr. Mo has served as a chief executive officer and an executive director of Dasheng Agriculture Finance since May 2013 and June 2013, respectively. He is currently the chairman of the nomination committee of Dasheng Agriculture Finance and a director of certain subsidiaries of its group.

He obtained a bachelor’s degree in management specialising in accountancy from Shanghai University of Finance and Economics in July 2003. Mr. Mo was awarded “The Excellence in Achievement of World Chinese Youth Entrepreneurs” issued by World Federation of Chinese Entrepreneurs Organisation in 2008.

Save as disclosed above, Mr. Mo does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Mo was the director and/or legal representative of the following company before its dissolution:

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Jiangsu Tonva Communication Material Co., Ltd.* (江蘇棟華交通材料有限公司)	PRC	Construction materials manufacturing and retail	8 October 2011	Deregistration by members’ resolutions	Cessation of business
Shanghai Tonva Petrochemical Co. Ltd. Branch No. 1* (上海棟華石油化工股份有限公司第一分公司)	PRC	Not applicable	29 December 2017	Deregistration by members’ resolutions	The company has not been engaged in any business activity since its establishment.

As confirmed by Mr. Mo, the aforesaid company was solvent at the date of dissolution. So far Mr. Mo was aware, there was no wrongful act on his part leading to the dissolution of the said company, and such dissolution had not resulted in any liability or obligation imposed against him.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Mo is a director of Hong Kong Dasheng Agriculture Holding Company Limited (“**Hong Kong Dasheng**”) which is an investment holding company and a wholly-owned subsidiary of Dasheng Agriculture Finance pursuant to the interim report of Dasheng Agriculture Finance published on 28 September 2018. According to the public search made at the Companies Registry, on 11 September 2018, receivers and managers were jointly and severally appointed pursuant to a share charge entered into between Hong Kong Dasheng and a bank. Further, according to the public search made at the Companies Registry, it is noted that a form of notification of payment, satisfaction of debt, release from charge, etc, and a form of notice of cessation of appointment of receiver or manager were filed on 26 November 2018. According to searches conducted against Mr. Mo, no disqualification order has been made against Mr. Mo personally and no bankruptcy petition filed against Mr. Mo, and there was no record of any claim against him personally as a defendant in relation to Hong Kong Dasheng. Mr. Mo confirmed that he had not actively participated in the business operation of Hong Kong Dasheng. Mr. Mo confirmed that there was no wrongful act, fraud or irregularities on his part in leading to the aforesaid appointment of receivers and managers.

Mr. Lo Kai Tung (盧啟東先生), aged 36, was appointed as our independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the nomination committee of the Board and member of the audit committee and remuneration committee of the Board.

Mr. Lo has over 13 years of experience in auditing, corporate finance and investment banking. Mr. Lo worked in Ernst & Young from January 2005 to April 2008 when he left the firm as a senior accountant in global financial services department of Ernst & Young. Mr. Lo then commenced his career in corporate finance and investment banking when he served as an executive of Guotai Junan Capital Limited (a subsidiary of Guotai Junan International Holding Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 1788)) from January 2010 to July 2011. In July 2011, Mr. Lo joined the corporate finance department of Haitong International Capital Limited, a corporate finance firm (a subsidiary of Haitong International Securities Group Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 665)) until December 2013. In January 2014, Mr. Lo joined Freeman Corporate Finance Limited as vice president, a licensed corporation under the SFC and left the company in May 2015. In June 2015, Mr. Lo joined Chinese Industrial Securities International Capital Limited, a corporate finance firm (a subsidiary of China Industrial Securities International Financial Group Limited, a financial institution whose shares are listed on GEM of the Stock Exchange (stock code: 8407)) until May 2017 when he left the company as a director. From June and July 2017 to present, Mr. Lo is a director and has been appointed as a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity respectively in Fortune Financial Capital Limited, a subsidiary of a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 290), namely China Fortune Financial Group Limited.

Mr. Lo obtained a degree of bachelor of business administration in accountancy and law from the City University of Hong Kong in November 2004. He has been a member of the HKICPA since April 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Save as disclosed above, there is no other information in respect of our Directors that is disclosable pursuant to Rule 17.50(2) or paragraph 41(1) of Appendix 1A of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders. Save as disclosed in the sub-section headed “A. Further information about our Directors” under the section headed “Statutory and general information” in Appendix IV to this prospectus, each of our Directors does not have any interests in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Date of joining our Group	Present position within our Group	Principal roles and responsibilities	Relationship with other Director(s) and/or senior management
Li Shun (李順)	42	18 August 2014	Chief financial officer	Responsible for overseeing corporate strategies, financial affairs and investment of our Group	N/A
Yuan Xiaobing (袁小兵)	39	11 October 2014	Head of operation management department	Responsible for overseeing the operational management and information technology and assisting Chairman of our Group	N/A

Mr. Li Shun (李順先生) (“**Mr. Li**”), aged 42, has been the chief financial officer of our Group since August 2014 and is responsible for overseeing corporate strategies, financial affairs and investment of our Group. Mr. Li has over 15 years of experience in accounting and finance and has been a member of Chartered Institute of Management Accountant since 2006. Prior to joining our Group, Mr. Li was an accountant of Morgan Hall Solicitors from 2003 to 2008, a finance analyst of Macquarie Group Limited from 2008 to 2010 and a head of financial control department of China International Capital Corporation (UK) Limited, an investment bank, from April 2010 to July 2014.

Mr. Li obtained his bachelor’s degree in English language from Beijing Foreign Studies University (北京外國語大學) in July 1999 and a master of science in management from The University of Lancaster in the United Kingdom in October 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

Mr. Yuan Xiaobing (袁小兵先生) (“**Mr. Yuan**”), aged 39, has been the head of operation management department of our Group since October 2014 and the assistant of chief executive officer of our Group since May 2016. He is responsible for overseeing the operational management and information technology of our Group.

Mr. Yuan has over 13 years of experience in the information technology field. Prior to joining our Group, Mr. Yuan was a computer technician of Yew Chung International School of Shanghai from May 2005 to January 2008, a deputy director of Longguang (China) Sporting Goods Company Limited Shanghai branch* (龍光(中國)體育用品有限公司上海分公司), a retail company, responsible for information resource management, from January 2008 to November 2010, head of information technology department of Shanghai Tong Yue Leasing Company Limited* (上海同岳租賃有限公司), a company which provides financial leasing services, from December 2010 to August 2013 and a deputy director of systems management of Chuang Fu Financial Leasing (Shanghai) Company Limited* (創富融資租賃(上海)有限公司) from August 2013 to October 2014, a company which provides financial leasing services.

Mr. Yuan obtained his bachelor’s degree in computer science and technology from the University of Jiangsu (江蘇大學) in June 2002.

Mr. Yuan does not have any current or past directorships in any listed companies in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Ms. Wong Wai Han (黃慧嫻女士) (“**Ms. Wong**”), aged 42, has been appointed as our company secretary since 8 March 2018.

Ms. Wong has more than 15 years experience in corporate finance and compliances matters for the listed companies in Hong Kong. Ms. Wong is a partner at Stephenson Harwood, our Hong Kong legal advisers, and joined the law firm in March 2015. She had worked as an associate in other law firms in Hong Kong before joining Stephenson Harwood, and practised corporate and commercial law. She had also been a company secretary of Hengxin Technology Ltd. (stock code: 1085) between 10 December 2010 and 29 January 2018, Techcomp (Holdings) Limited (stock code: 1298) between 29 February 2012 and 11 September 2018 and Strong Petrochemical Holdings Limited (stock code: 852) between 31 July 2012 and 14 February 2018, and the shares of these companies are listed on the Main Board of the Stock Exchange.

Ms. Wong obtained a bachelor of laws from the City University of Hong Kong in 1998 and completed the Postgraduate Certificate in Laws at the City University of Hong Kong in 1999. She was admitted as solicitor of the High Court of Hong Kong in 2001, and is a practising solicitor in Hong Kong and a member of The Law Society of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Ms. Zhou Hui (周卉女士) was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 8 March 2018. Please refer to the paragraph headed “Executive and non-executive Directors” above in this section for her qualifications and experience.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Octal Capital Limited to be our compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any 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.

The term of the appointment shall commence on Listing Date and end on the date on which we distribute our annual report in respect 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.

AUTHORISED REPRESENTATIVES

Mr. Chau David and Ms. Zhou are the authorised representatives of our Company.

BOARD COMMITTEES

Audit committee

We have established an audit committee pursuant to a resolution of our Directors passed on 23 November 2018 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our audit committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of our Company; (iv) supervising internal control and risk management systems of our Group; and (v) monitoring continuing connected transactions (if any).

DIRECTORS AND SENIOR MANAGEMENT

Our audit committee currently consists of all three of our independent non-executive Directors. The members of the audit committee are currently Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lo Kai Tung. Mr. Lau Chung Wai is the chairman of the audit committee.

Remuneration committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 23 November 2018 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee include (i) reviewing and making recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

Our remuneration committee currently consists of Mr. Mo Luojiang, Mr. Lau Chung Wai and Mr. Lo Kai Tung. It is currently chaired by Mr. Mo Luojiang, an independent non-executive Director.

Nomination committee

We have established a Board nomination committee pursuant to a resolution of our Directors passed on 23 November 2018 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to our Board regarding the candidates to fill vacancies on our Board.

Our nomination committee currently consists of Mr. Lo Kai Tung, Mr. Lau Chung Wai and Mr. Mo Luojiang. It is currently chaired by Mr. Lo Kai Tung.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. Mr. Chau David is the Chairman and also the chief executive officer of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its establishment. Having considered the

DIRECTORS AND SENIOR MANAGEMENT

nature and extent of our Group's operations, and Mr. Chau David's in-depth knowledge and experience in the leasing services, in particular vehicle finance leasing market and familiarity with the operations of our Group which is beneficial to the management and business development of our Group, and all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Chau David taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, benefits in kind, and pension scheme contributions) paid to our Directors for the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were approximately RMB0.7 million, RMB0.7 million and RMB0.3 million, respectively.

The aggregate remuneration (including salaries, benefits in kind, pension scheme contributions and discretionary bonus) paid to our Company's five highest paid individuals (two of which were executive Directors) for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were approximately RMB1.4 million, RMB1.8 million and RMB0.8 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors, former Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or received by, our Directors, former Directors, or the five highest-paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. In addition, none of our Directors has waived any emoluments.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 by any of the member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration (excluding discretionary bonus) paid or payable to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2018 to be approximately RMB0.8 million.

Share Option Scheme

Our Company conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised under the paragraph headed "Share Option Scheme" under the section headed "Statutory and general information" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Human Resources

Our Company generally maintains good employee relations. During the Track Record Period, our Company has not experienced any significant problems with the recruitment or retention of experienced employees and has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

For further information, please refer to the paragraph headed “Employees” under the section headed “Business” of this prospectus.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

Authorised:

HK\$

<u>4,000,000,000</u>	Shares of HK\$0.01 each	<u>40,000,000</u>
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Issued or to be issued, fully paid or credited as fully paid:

50,000	Shares in issue as at the Latest Practicable Date	500
599,950,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,500
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Shares	<u>8,000,000</u>

ASSUMPTIONS

The table above assumes that the Capitalisation Issue and the Share Offer has become unconditional and the Shares are issued pursuant the Share Offer. It does not take into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus save for the entitlements under the Capitalisation Issue.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the 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 (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the sub-section headed “E. Share Option Scheme” under the section headed “Statutory and general information” in Appendix IV to this prospectus.

GENERAL MANDATE GIVEN TO THE DIRECTORS TO ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to the Directors to allot, issue and deal with unissued Shares with an aggregate number of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme); and
- the aggregate number of Shares repurchased by our Company under the authority referred to in “General mandate given to the Directors to repurchase Shares” in this section.

The aggregate number of Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Share Offer or the Capitalisation Issue.

This general mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or upon the expiration of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

Particulars of this general mandate are set forth in the paragraph headed “A. Further information about our Company – 4. Resolutions in writing of our sole Shareholder passed on 23 November 2018” under the section headed “Statutory and general information” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE GIVEN TO THE DIRECTORS TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, a general unconditional mandate has been granted to the Directors to exercise all the powers of our Company to repurchase Shares with an aggregate of not more than 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme).

This Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed “A. Further information about our Company – 6. Repurchase of the Shares” under the section headed “Statutory and general information” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/ nature of interest	Number of Shares held/interested as at the Latest Practicable Date	Percentage of shareholding as at the Latest Practicable Date (<i>approximate</i>)	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer (<i>Note 1</i>)	Percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer
View Art	Beneficial owner (<i>Note 2</i>)	50,000	100%	600,000,000 (L)	75%
Mr. Chau David	Interest in controlled corporation (<i>Note 2</i>)	50,000	100%	600,000,000 (L)	75%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. As at the Latest Practicable Date, Mr. Chau David beneficially owns 100% of View Art. Therefore, Mr. Chau David is deemed to be interested, or taken to be interested, in all the Shares held by View Art for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus. The financial information has been prepared in accordance with IFRSs. 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

Established in 2009, we are a finance leasing company in the PRC with a focus on providing vehicle finance leasing to our customers. We primarily provide customised vehicle finance leasing to our customers. We categorise our vehicle finance leasing business into (i) direct finance leasing; and (ii) sale and leaseback. Direct finance leasing involves leasing of vehicle acquired by us from a vehicle dealer prior to the lease transaction. Sale and leaseback involves leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer and which is then transferred to us.

Headquartered in Shanghai, we had five branch offices in the PRC which were located in Shanghai municipality, Jiangsu province, Guizhou province, Shandong province and Jiangxi province.

Our total revenue amounted to approximately RMB44.1 million, RMB49.7 million and RMB25.2 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

Our profit and total comprehensive income amounted to approximately RMB6.5 million, RMB5.1 million and RMB2.7 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

For further details about our business and operations, please refer to the section headed "Business" in this prospectus.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

The financial information set out in the “Appendix I – Accountants’ Report” has been prepared based on the accounting policies which conform with IFRSs issued by the IASB. The disclosures of the financial information also comply with the applicable requirements of the Companies Ordinance and the GEM Listing Rules.

In preparation for the Listing, our Group underwent a group restructuring which involved the setting up of the Company on 29 June 2017 and interspersing the Company between View Art and Metropolis Asia (“**Group Reorganisation**”) and the Company became the holding company of the entities now comprising the Group on 8 March 2018.

In preparing this financial information, the financial information has been prepared on the basis as if our Company had always been the holding company of our Group and the group structure upon completion of the Group Reorganisation had been in existence throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of companies within our Group as if our Company had always been the holding company of our Group and the group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period, or since the respective date of incorporation, where there is a shorter period.

The consolidated statements of financial position of our Group as at 31 December 2016 and 2017 and 30 June 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the group structure upon completion of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable.

Our 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 refer to the Accountants’ Report as set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operation 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 operation 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

FINANCIAL INFORMATION

been focused on transforming China's centrally-planned economy into a more market-based economy. According to the Industry Report, the vehicle sales volume in the PRC grew from approximately 18.5 million in 2011 to 28.9 million in 2017, with a CAGR of 7.7%, and the market penetration rates of the vehicle finance leasing market were approximately 4% in 2017. Taking into account the growth of the vehicle market and the low market penetration rates of vehicle finance leasing market, vehicle finance leasing market is expected to sustain high growth for the next few years.

Government regulations and policies

During the Track Record Period, we were primarily regulated by MOFCOM as we have been approved by MOFCOM as a "foreign-invest leasing and finance leasing company". Our business and results of operation could be materially affected by changes in the policies, laws and regulations relating to the PRC financial services industry, including the extent and the scope to which we can engage in certain business and activities. In particular, during the Track Record Period, MOFCOM has promulgated the Measures for the Administrative of Foreign-funded Lease Industry (the "**Measures of Foreign-funded Lease Industry**") on 3 February 2005 and the Notice of Ministry of Commerce on the Promulgation of Administrative Measures on the Supervision of Financial Leasing Enterprises (the "**Administrative Measures**") on 18 September 2013 to regulate the operations of foreign-invest leasing business and finance leasing businesses.

The Measures of Foreign-funded Lease Industry also required that (i) the total assets of the foreign investors of a foreign-funded finance leasing company may not be less than US\$5.0 million; (ii) 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 (iii) the risk assets of a finance leasing company shall not exceed 10 times of the total amount of its 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 operation.

However, since the Measures of Foreign-funded Lease industry was abolished on 22 February 2018, foreign-invest leasing and finance leasing companies became mainly regulated by the Administrative Measures.

MOFCOM has assigned the authority of formulating rules about business operation, supervision and regulation of finance leasing companies, commercial factoring companies and pawnshops to the China Banking and Insurance Regulatory Commission since 20 April 2018, and it further requires the competent authority for the commerce of all places to carry out relevant works.

Interest rate environment

Our results of operation depend to a great extent on our finance lease income from our finance leasing business. The difference in the interest income rate we charged to our customers and the interest expense rate offered to us by banks and other financial institutions

FINANCIAL INFORMATION

is an important factor that influences our profit. The interest income 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.

Our interest expense rate is largely determined by the interest rates that we are charged for our interest-bearing bank borrowings and financial institutions, 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 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. If we are unable to obtain bank loans at a favourable interest rate or transfer the increased interest expense to our customers, it will decrease our net interest income and could have a material adverse effect on our financial condition, results of operation and growth prospects.

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 business depends upon financing and access to cash, additional funding from various sources will be beneficial to the expansion of our business. Our total interest-earning assets, primarily representing net finance leasing receivables, amounted to approximately RMB274.2 million, RMB252.2 million and RMB289.3 million as at 31 December 2016 and 2017 and 30 June 2018, respectively, while our interest-bearing liabilities, primarily representing bank and other borrowings, collectively amounted to approximately RMB66.0 million, RMB29.9 million and RMB91.9 million as at 31 December 2016 and 2017 and 30 June 2018, respectively. During the Track Record Period, we funded our finance leasing business primarily via bank and other borrowings.

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, the effective interest rates of our fixed rate borrowings ranged from approximately 6.0% to 15.6% per annum, from approximately 4.4% to 19.3% per annum and from approximately 5.7% to 19.3% per annum for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. Our weighted average effective interest rates of bank and other borrowings are approximately 8.2%, 12.4% and 11.7% for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

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 to match with the expansion of our business. After Listing, as we will become

FINANCIAL INFORMATION

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 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 development such as the above factors that impact our ability to sustain our funding or to expand our business would impact our business and profitability.

Competitive landscape in the PRC finance leasing

Based on the Industry Report, the finance leasing market in the PRC is very competitive given the large number of market participants in 2016, which totalled to approximately 7,120 financial leasing companies. Our competitors include commercial banks, vehicle financing companies and other independent vehicle finance leasing companies which operate on various scales. Commercial banks typically focus on individual clients and large corporate clients through its existing network of branches and have a relatively lower capital cost. Vehicle financing companies usually focus on individual customers, auto dealers and corporate customers through the channels of auto dealers and emphasise on the convenience of repurchasing of cars. Vehicle finance leasing companies' customers are usually small and medium-sized corporate customers and other vehicle finance leasing companies are also capable of providing flexible loan scheme design to meet customers' needs. Increased competition may affect the pricing of our finance leases to our customers, which will have an impact on our finance lease income and the overall profitability of our Group.

However, the vehicle finance leasing market in the PRC has high entry barriers as the customers' preference of finance leasing companies is highly affected by its reputation and that operating a vehicle finance leasing company requires employees with expertise in technical knowledge and business experience in vehicle finance leasing. The finance leasing companies are also strictly supervised by related authorities in the qualification of investors, minimum registered capital, risk management and other operational qualifications.

Application of IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, we have applied all International Accounting Standards ("IASs"), IFRSs, amendments issued by IASB and the related interpretations ("IFRICs"), that are effective for the Group's accounting period beginning on 1 January 2018, including IFRS 15 "*Revenue from Contracts with Customers*" and the related Amendments, consistently throughout the Track Record Period except that we adopted IFRS 9 "*Financial Instruments*" beginning on 1 January 2018 and IAS 39 "*Financial Instruments: Recognition and Measurement*" prior to 1 January 2018. In addition, the adoption of IFRS 15 would have no significant impact on our financial position and performance compared to the requirements of IAS 18 "*Revenue*". The management has assessed the effects of adoption of IFRS 9 on the historical financial

FINANCIAL INFORMATION

information on 1 January 2018. We have applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating the financial information for the years ended 31 December 2016 and 2017. Details of the adjustments are set out in Note 3 to the Accountants' Report in Appendix I. The management of our Group had assessed that the adoption of IFRS 9 would have no significant impact on the carrying amounts of our Group's relevant financial assets (including finance lease receivables, bank balances and cash, loan to related parties, deposits and other receivables) and our Group's financial liabilities at amortised cost.

In addition, had IFRS 9 been early adopted by the Group prior to 1 January 2018, the principal effect would be mainly on the impairment for the Group's financial assets which have been set out as follows:

Impairment

IFRS 9 requires an expected credit loss ("ECL") model, as opposed to an incurred credit loss model under IAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition, whereas impairment loss under IAS 39 is recognised for a credit event that has occurred before credit losses are recognised.

Therefore, application of IFRS 9 result in earlier provision of impairment loss based on ECL model as compared to the incurred credit loss model under IAS 39.

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 the actual results, and we confirm that there was no material change in our accounting policies, estimates and underlying assumptions during the Track

FINANCIAL INFORMATION

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 judgments, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Notes 4 and 5 to the Accountants' Report set out in Appendix I 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.

Significant accounting policies

The historical financial information has been prepared in accordance with IFRSs issued by the IASB. In addition, the historical financial information include applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance.

The historical financial information have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, our Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these historical financial information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "*Leases*", and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 "*Impairment of assets*".

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

FINANCIAL INFORMATION

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The historical financial information incorporates the financial statements of our Company and entities controlled by our Company and its subsidiaries. Control is achieved when our Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Our Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flow relating to transactions between members of our Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

FINANCIAL INFORMATION

Revenue recognition

Finance lease income (including direct finance leasing and sales and leaseback transactions) is recognised over the period of lease. In a direct finance lease arrangement, revenue is recognised over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method (see accounting policy in respect of leasing below).

Factoring income is recognised as revenue in each period according to the effective interest rate method during the terms of the contract.

Arrangement fee income regarding the commission earned in respect of our Group's arrangement of machinery and equipment finance leasing services is recognised over time (i.e. over the period of finance lease) because our customer simultaneously receives and consumes benefit provided by our Group's performance as the Group performs.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably.

Leasing

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

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and

FINANCIAL INFORMATION

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

Effective interest method

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

Income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans to related parties, deposits and other receivables, security deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets of our Group are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

FINANCIAL INFORMATION

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease and other receivables, where the carrying amount is reduced through the use of an allowance account. When a finance lease or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

FINANCIAL INFORMATION

Equity instruments

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

Financial liabilities

Financial liabilities of our Group (including deposits from finance lease customers, bank and other borrowings, amounts due to related parties, listing costs payables and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

FINANCIAL INFORMATION

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”).

Despite the foregoing, our Group may irrevocably designate a debt investment that meets the amortised cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the “*other gains and losses*”.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the

FINANCIAL INFORMATION

effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Reclassifications

If the business model under which our Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying our Group’s financial assets. During the six months ended 30 June 2018, there was no change in the business model under which our Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

Impairment of financial assets

Our Group recognises a loss allowance for ECL on lease receivables and financial assets which are subject to impairment under IFRS 9, including loans to related parties, deposits and other receivables, security deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessments are done based on our Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Our Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, our Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

FINANCIAL INFORMATION

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, our Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless our Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, our Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily,

FINANCIAL INFORMATION

reduce the ability of the borrower to fulfil its contractual cash flow obligations. Our Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

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

Definition of default

Our Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including our Group, in full (without taking into account any collaterals held by our Group).

Irrespective of the above analysis, our Group considers that default has occurred when a financial asset is more than 90 days past due unless our Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

FINANCIAL INFORMATION

Write-off policy

Our Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under our Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our Group expects to receive, discounted at the original effective interest rate. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IAS 17 *Leases*.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

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

- Nature of financial instruments (i.e. our Group's deposit, other receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

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

FINANCIAL INFORMATION

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

Our Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

FINANCIAL INFORMATION

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Critical accounting judgement

Judgements in determining the timing of satisfaction of performance obligations

Note 6 to the Accountants' Report as set out in Appendix I to this prospectus describes the arrangement fee income relating to the machinery and equipment finance leasing. The recognition of this income requires judgements by our Directors in determining the timing of satisfaction of performance obligations.

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

Our Directors have assessed that our customers simultaneously receive and consume benefit provided by the Group's performance as our Group performs. Our Group is required to provide the necessary services to our customers over the lease period of the finance lease. Therefore, our Directors have satisfied that the performance obligation in respect of the arrangement fee income is satisfied over time and have recognised such income over the period of finance lease.

Key sources of estimation uncertainty

Impairment of finance lease receivables

Our Group reviews its finance lease receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivables are set out in Note 18 to the Accountants' Report set out in Appendix I to this prospectus.

Before the adoption of IFRS 9, management estimates the amount of loss allowance under incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. Our Group periodically reviews its finance lease receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. Our Group makes judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortised cost based on the credit risk of the finance lease receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables. The assessment of the credit risk of the finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

FINANCIAL INFORMATION

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

Significant increase of credit risk

As explained in Note 4 to the Accountants' Report set out in Appendix I to this prospectus, ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, our Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

Our Group uses various models and assumptions in estimating ECL, for example gross domestic product ("GDP") growth rate, producer price index ("PPI") rate and consumer price index ("CPI") rate. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Impairment of financial assets

Before the adoption of IFRS 9, when there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial instruments. For deposits and other receivables and loans to related parties, our Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL, since management estimates that there has not been a significant increase in credit risk since initial recognition for deposits and other receivables and loans to related parties. Management estimates the expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation.

FINANCIAL INFORMATION

As at 31 December 2016 and 2017 and 30 June 2018, total carrying amounts of finance lease receivables and other receivables of our Group were approximately RMB278.7 million (net of impairment loss of approximately RMB13.5 million), RMB253.5 million (net of impairment loss of approximately RMB4.9 million) and RMB290.7 million (net of impairment loss of approximately RMB4.4 million), respectively.

In the six months ended 30 June 2018, our Group has applied IFRS 9 Financial Instruments, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) ECL for financial assets, lease receivables and other items subject to ECL assessment, and (3) general hedge accounting. For details of the accounting policies for financial instrument under IFRS 9, please refer to the paragraph headed “Critical accounting policies, estimates and judgements – Financial instruments (under IFRS 9)” in this section.

Our Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits as at 1 January 2018, without restating the financial information for the years ended 31 December 2016 and 2017.

There were no financial liabilities which our Group had previously designated as at FVTPL or measured at amortised cost under IAS 39 that were subject to reclassification, or which our Group has elected to reclassify upon the application of IFRS 9.

No financial assets are measured differently (other than due to change in impairment calculation) as a result of the transition from IAS 39 to IFRS 9.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table summarises the consolidated statement of profit or loss and other comprehensive income for the periods indicated.

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Revenue	44,098,209	49,661,039	26,232,568	25,235,720
Other income	10,820,019	7,116,719	5,212,821	535,632
Other gains and losses	(746,460)	1,833,575	703,147	105,711
Staff costs	(12,274,877)	(12,235,533)	(7,242,813)	(5,050,833)
(Recognition) reversal of impairment losses on finance lease receivables, net	(5,514,165)	1,108,409	(3,484,068)	908,072
(Recognition) reversal of impairment losses on other financial assets measured at amortised cost	(115,114)	(427,242)	–	427,242
Other operating expenses	(10,869,251)	(10,429,404)	(6,223,838)	(5,139,062)
Listing expenses	–	(11,408,386)	(6,284,531)	(2,484,357)
Finance cost	(16,616,759)	(18,370,615)	(9,316,233)	(10,918,989)
Profit (loss) before tax	8,781,602	6,848,562	(402,947)	3,619,136
Income tax (expense) credit	(2,271,445)	(1,766,173)	64,986	(951,529)
Profit (loss) and total comprehensive income (expense) for the year/period	<u>6,510,157</u>	<u>5,082,389</u>	<u>(337,961)</u>	<u>2,667,607</u>

Our revenue increased from approximately RMB44.1 million for the year ended 31 December 2016 to approximately RMB49.7 million for the year ended 31 December 2017 while our Group recorded net profit of approximately RMB6.5 million and RMB5.1 million, respectively, for the same period. For the year ended 31 December 2017, we have incurred listing expenses of approximately RMB11.4 million and a gain of approximately RMB1.1 million arisen from reversal of impairment losses on finance lease receivables.

FINANCIAL INFORMATION

Our revenue remained stable at approximately RMB25.2 million for the six months ended 30 June 2018 as compared to that of the corresponding period in 2017 of approximately RMB26.2 million. Our Group recorded net loss of approximately RMB0.3 million and net profit of approximately RMB2.7 million, respectively, for the six months ended 30 June 2017 and 2018. For the six months ended 30 June 2018, we have incurred listing expenses of approximately RMB2.5 million.

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group has one operating and reportable segment during the Track Record Period and the principal activities of our Group are provision of finance leasing, factoring and other services in the PRC. We primarily derive our revenue from our vehicle finance leasing income through sale and leaseback to our customers.

For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, our revenue was approximately RMB44.1 million, RMB49.7 million and RMB25.2 million, respectively. The following table sets forth a breakdown of our revenue type for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
		% of		% of		% of		% of
	RMB	total	RMB	total	RMB	total	RMB	total
	(unaudited)							
Vehicle finance leasing	39,888,211	90.5	47,839,568	96.4	24,986,330	95.2	24,939,425	98.8
Machinery and equipment finance leasing								
– Finance leasing income	1,770,327	4.0	728,975	1.5	437,408	1.7	296,295	1.2
– Arrangement fee income (recognised over time)	2,439,671	5.5	773,874	1.5	773,874	3.0	–	–
Factoring income	–	–	318,622	0.6	34,956	0.1	–	–
Total revenue	<u>44,098,209</u>	<u>100.0</u>	<u>49,661,039</u>	<u>100.0</u>	<u>26,232,568</u>	<u>100.0</u>	<u>25,235,720</u>	<u>100.0</u>

FINANCIAL INFORMATION

Vehicle finance leasing

Our revenue from vehicle finance leasing was approximately RMB39.9 million, RMB47.8 million and RMB24.9 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively, which represents approximately 90.5%, 96.4% and 98.8% of our total revenue, respectively, for the same period. In light of the growth potential in the vehicle finance leasing market as evidenced by the expected compound growth rate of market penetration of vehicle finance leasing of approximately 48.7% from the year ended 31 December 2015 to the year ended 31 December 2017, we have strategically allocated more of our resources from machinery and equipment finance leasing to vehicle finance leasing in 2016. Further, as vehicle finance leasing experienced a substantial growth in 2016 in terms of net financing amount of approximately RMB303.8 million, the increment in our revenue in 2017 partially arose from the full year impact of the vehicle finance leases entered into in 2016. For the six months ended 30 June 2018, we continued our strategy from 2017, thus the revenue from vehicle finance leasing is similar to that of the six months ended 30 June 2017.

We categorise the source of our vehicle finance leasing income into (i) direct finance leasing; and (ii) sale and leaseback. The following table sets forth a breakdown of our finance lease income by lease type for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2017		2018	
	% of		% of		% of		% of	
	RMB	total	RMB	total	RMB	total	RMB	total
	(unaudited)							
Vehicle finance leasing								
Direct finance leasing	1,359,918	3.4	913,031	1.9	508,053	2.0	285,675	1.1
Sale and leaseback	38,528,293	96.6	46,926,537	98.1	24,478,277	98.0	24,653,750	98.9
	<u>39,888,211</u>	<u>100.0</u>	<u>47,839,568</u>	<u>100.0</u>	<u>24,986,330</u>	<u>100.0</u>	<u>24,939,425</u>	<u>100.0</u>

The following table sets forth the number of vehicle finance leases, the average lease term, the aggregate net financing amount and the range of total contract yield of our vehicle finance leases originated and entered into during the periods indicated, against the respective net financing amount of such leases:

Net financing amount of each of the vehicle finance leases originated and entered into during the period indicated:

FINANCIAL INFORMATION

		Year ended 31 December						Six months ended 30 June											
		2016			2017			2017			2018								
	Number of leases	Average lease term		Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾		Number of leases	Average lease term		Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾		Number of leases	Average lease term		Aggregate/ (average) net financing amount	Range/ (average) of total contract yield ⁽¹⁾		
		(months)	(months)		RMB	%		(months)	(months)		RMB	%		(months)	(months)		RMB	%	
Over RMB2,000,000	22	27.8	27.7	80,728,871 (3,669,494)	26.7	3.7%- 23.1% (14.4%)	34	27.7	27.7	99,281,704 (2,920,050)	41.0	5.0%- 32.0% (21.1%)	-	N/A	44	14.5	135,780,469 (3,085,920)	65.0	5.0%- 18.3% (10.7%)
Total	751	22.3	23.1	303,782,949 (404,505)	100.0	2.0%- 39.5% (14.9%)	554	23.1	242,416,611 (437,575)	100.0	4.5%- 34.9% (18.4%)	302	23.0	67,275,377 (222,766)	205	21.2	208,770,522 (1,018,393)	100.0	4.7%- 27.4% (12.0%)

Notes:

- (1) Total contract yield represents the total interest earning throughout the lease term divided by the net financing amount for such lease.

FINANCIAL INFORMATION

The aggregate net financing amount advanced during the years ended 31 December 2016 and 2017 was approximately RMB303.8 million and RMB242.4 million respectively. Our Group recorded a decrease of approximately RMB61.4 million in the net financing amount for the year ended 31 December 2017 compared to the year ended 31 December 2016. Starting from the first half of the year ended 31 December 2017, our Group adopted a more stringent approach in our credit assessment when selecting potential customers which is evidenced by the increase in rejection rate of our vehicle finance leases and focused on urging payment for the overdue balance of the finance lease receivables generated in 2016. As a result, the growth of the new finance lease business for the first half of the year ended 31 December 2017 experienced a short-term slowdown but the growth was on track in the second half of the year ended 31 December 2017. The aggregate net financing amount advanced during the six months ended 30 June 2018 was approximately RMB208.8 million, as compared to the net financing amount advanced of approximately RMB67.3 million for the corresponding period in 2017. Such increase was mainly attributable to (i) the increase in leases with net financing amount over RMB2 million which contributed approximately 65.0% of the new leases in 2018; and (ii) the increase in leases with net financing amount between RMB1 million and RMB2 million which contributed approximately 18.6% of the new leases in 2018.

Although the aggregate net financing amount decreased for the year ended 31 December 2017 when compared to those for the year ended 31 December 2016, the average of the total contract yield increased from approximately 14.9% to 18.4% during the same period. The reason for the increase in total contract yield was due to the tightening of our customer selection process executed during the year ended 31 December 2017 to select customers with higher contract yield in order to improve our profitability and reduce the overdue rate of finance lease receivables. To achieve these objectives, we have established our internal control policy and implemented the corresponding internal control measures by (i) enhancing customers due diligence process; and (ii) limiting the maximum net financing amount of individual and corporate customers subject to credit assessment. For the six months ended 30 June 2018, the average of the total contract yield decreased to approximately 12.0%. The average total contract yield for the six months ended 30 June 2018 has decreased when compared to that of the year ended 31 December 2017 mainly because more than 93.3% of the aggregate net financing amount of the leases originated during the six months ended 30 June 2018 were from SME customers, and such leases generally had higher net financing amount and lower total contract yield per lease when compared to those from individual customers. Despite such decrease in the average of the total contract yield for the six months ended 30 June 2018, our finance lease income generated and our annual return rate for the six months ended 30 June 2018 maintained at similar level when compared to that of the six months ended 30 June 2017, and our aggregate net financing amount for the six months ended 30 June 2018 was higher than that of the six months ended 30 June 2017.

FINANCIAL INFORMATION

Machinery and equipment finance leasing

Our revenue from machinery and equipment finance leasing was approximately RMB4.2 million, RMB1.5 million and RMB0.3 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively, which represents approximately 9.5%, 3.0% and 1.2% of our total revenue, respectively. Under the machinery and equipment finance leases, the machinery and equipment were mainly bulky machines including construction equipment, incinerators, heating tube systems, large-scale cables, elevators and drilling machines. We also received arrangement fee by providing finance leasing advice to our customers. During the years ended 31 December 2016 and 2017, our Group recognised finance leasing income in respect of machinery and equipment finance leasing of approximately RMB1.8 million and RMB0.7 million, respectively, arising from two corporate customers, while our Group recognised such finance leasing income during the six months ended 30 June 2018 of approximately RMB0.3 million arising from one corporate customer. Our Group recognised arrangement fee income of approximately RMB2.4 million, RMB0.8 million and nil, respectively, for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018. The decrease in our machinery and equipment finance leasing income was principally driven by allocating more of our resources from machinery and equipment finance leasing to vehicle finance leasing during the Track Record Period.

Factoring income

In June 2017, our Group commenced factoring business and entered into one factoring agreement in relation to vehicle finance leasing whereby we have agreed to purchase finance lease receivables assets under a portfolio of 119 vehicle finance leasing agreements. Our factoring income amounted approximately RMB0.3 million for the year ended 31 December 2017.

We did not enter into any factoring agreement for the six months ended 30 June 2018.

Net interest spread and net interest margin

Net interest spread is the difference between the annual return rate of our interest-earning assets, calculated by dividing interest income by the average finance lease receivables balance, and the average cost rate of our interest-bearing liabilities, calculated by dividing interest expense related to bank and other borrowings by the average balance of bank and other borrowings. Net interest margin is the ratio of net interest income to the average balance of our interest-earning assets.

FINANCIAL INFORMATION

Vehicle finance leasing

The following table sets forth the net interest margin and net interest spread of our vehicle finance leasing during the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2016		2017		2018		2019	
	Average balance ⁽¹⁾ RMB	Interest income/ expense RMB	Annual return/ cost rate ⁽²⁾ %	Total contract yield ⁽³⁾ %	Average balance ⁽¹⁾ RMB	Interest income/ expense RMB	Annual return/ cost rate ⁽²⁾⁽⁶⁾ %	Total contract yield ⁽³⁾ %
Interest-earning assets	215,158,426	39,888,211	18.5	15.5	266,730,004	24,939,425	18.7	16.4
Interest-bearing liabilities	49,964,589	5,424,210	10.9	N/A	60,876,411	4,235,018	13.9	N/A
Net interest margin ⁽⁴⁾⁽⁶⁾		34,464,001	16.0	N/A		20,704,407	15.5	N/A
Net interest spread ⁽⁵⁾⁽⁶⁾			7.6	N/A			4.8	N/A

Notes:

- (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 and 31 December 2016 and 2017 and as at 1 January and 30 June 2018. Average balance of interest-bearing liabilities is calculated based on the average balance of interest-bearing bank and other borrowings as at 1 January and 31 December 2016 and 2017 and as at 1 January and 30 June 2018.
- (2) The annual return rate is calculated by dividing interest income by the average balance of interest-earning assets. The annual cost rate is calculated by dividing interest expense by the average balance of our interest-bearing liabilities.
- (3) Total contract yield represents the total interest earning throughout the lease term divided by the net financing amount.
- (4) Net interest margin is calculated based on interest income from the interest-earning assets minus interest expense from the interest-bearing liabilities divided by average balance of the interest-earning assets.
- (5) Net interest spread is the difference between the annual return rate of the interest-earning assets and annual cost rate of the interest-bearing liabilities.
- (6) For illustration, annualised figure for each of the net interest margin and net interest spread for the six months ended 30 June 2018 as illustrated in the table above is calculated by the actual ratio multiplying by two and may not represent the ratio for the 12 months ending 31 December 2018, and is incomparable to that for the year ended 31 December 2016 and 2017.

FINANCIAL INFORMATION

For the years ended 31 December 2016 and 2017, the average balance of the interest-earning assets increased from approximately RMB215.2 million to RMB262.8 million, reflecting the full year impact in the year ended 31 December 2017 of the finance lease contracts entered into in the year ended 31 December 2016. Our net interest margin of the vehicle finance leasing remained stable at 16.0% and 16.2% for the years ended 31 December 2016 and 2017 respectively while our net interest spread of the vehicle finance leasing income decreased for the year ended 31 December 2017, which is due to the decrease in annual return rate together with the increase in the average cost rate of our interest-bearing liabilities during the Track Record Period. The annual return rate remained stable at 18.5% and 18.2% respectively for the years ended 31 December 2016 and 2017.

For the six months ended 30 June 2018, the average balance of the interest-earning assets remained stable at RMB266.7 million. Our net interest margin of the vehicle finance leasing slightly decreased from approximately 16.2% for the year ended 31 December 2017 to approximately 15.5% for the six months ended 30 June 2018 which was primarily due to the annualised cost rate for the six months ended 30 June 2018 of approximately 13.9% being higher than the cost rate for the year ended 31 December 2017 of approximately 11.4%, which was partly offset by the slight increase of approximately 0.5% in the annualised annual return rate to approximately 18.7% for the six months ended 30 June 2018 as compared to that of approximately 18.2% for the year ended 31 December 2017. The increase in the cost rate for the six months ended 30 June 2018 was due to the new bank and other borrowings in the amount of approximately RMB119.8 million raised for the six months ended 30 June 2018 with nominal interest rates ranging from 5.7% to 9.0% per annum leading to the recognition of interest expense from bank and other borrowings of approximately RMB4.2 million for the six months ended 30 June 2018, as compared to the new bank and other borrowings raised in the amount of approximately RMB38.3 million with nominal interest rates ranging from 5.9% to 15.6% and interest expenses recognised of approximately RMB5.3 million for the year ended 31 December 2017. As a result of our net repayment of outstanding loans in 2017, our balance of bank and other borrowings decreased from approximately RMB66.0 million as at 31 December 2016 to approximately RMB29.9 million as at 31 December 2017. Our balance of bank and other borrowings increased to approximately RMB91.9 million as at 30 June 2018 due to the net increase in loans during the six months ended 30 June 2018. Our net interest spread decreased from approximately 6.8% for the year ended 31 December 2017 to approximately 4.8% for the six months ended 30 June 2018 which was mainly due to the increase in the average cost rate of our interest-bearing liabilities while the annual return rate remained stable for the six months ended 30 June 2018.

Total contract yield of our vehicle finance leases increased from 15.5% for the year ended 31 December 2016 to 16.1% for the year ended 31 December 2017. Such increase was mainly attributable to the stringent policy in customer selection process implemented during 2017 to select customers with higher contract yield. The total contract yield of our vehicle finance leases for the six months ended 30 June 2018 remained stable at approximately 16.4%.

FINANCIAL INFORMATION

Machinery and equipment finance leasing

The following table sets forth the net interest margin and net interest spread of our machinery and equipment finance leasing during the periods indicated:

	Year ended 31 December						Six months ended 30 June		
	2016			2017			2018		
	Average balance ⁽¹⁾ RMB	Interest income/ expense RMB	Annual return/ cost rate ⁽²⁾ %	Total contract yield ⁽³⁾ %	Average balance ⁽¹⁾ RMB	Interest income/ expense RMB	Annual return/ cost rate ⁽²⁾ %	Total contract yield ⁽³⁾ %	
Interest-earning assets	13,556,877	1,770,327	13.1	24.9	9,387,153	728,975	7.8	25.2	25.5
Interest-bearing liabilities	10,119,365	733,553	7.3	N/A	2,361,433	80,029	3.4	N/A	N/A
Net interest margin ⁽⁴⁾⁽⁶⁾		1,036,774	7.6	N/A		648,946	6.9	N/A	N/A
Net interest spread ⁽⁵⁾⁽⁶⁾			5.8	N/A			4.4	N/A	N/A

FINANCIAL INFORMATION

Notes:

- (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 and 31 December 2016 and 2017 and as at 1 January and 30 June 2018. Average balance of interest-bearing liabilities is calculated based on the average balance of interest-bearing bank and other borrowings as at 1 January and 31 December 2016 and 2017 and as at 1 January and 30 June 2018.
- (2) The annual return rate is calculated by dividing interest income derived from finance leasing by the average balance of interest-earning assets. The annual cost rate is calculated by dividing interest expense by the average balance of our interest-bearing liabilities.
- (3) Total contract yield represents the total interest earning throughout the lease term divided by the total net financing.
- (4) Net interest margin is calculated based on interest income from the interest-earning assets minus interest expense from the interest-bearing liabilities divided by average balance of the interest-earning assets.
- (5) Net interest spread is the difference between the annual return rate of the interest-earning assets and annual cost rate of the interest-bearing liabilities.
- (6) For illustration, annualised figure for each of the net interest margin and net interest spread for the six months ended 30 June 2018 as illustrated in the table above is calculated by the actual ratio multiplying by two and may not represent the ratio for the twelve months ending 31 December 2018, and is incomparable to that for the years ended 31 December 2016 and 2017.

For the years ended 31 December 2016 and 2017, the average balance of the interest-earning assets decreased from approximately RMB13.6 million to RMB9.4 million while our net interest margin of the machinery and equipment finance leasing business was approximately 7.6% and 6.9%, respectively, and our net interest spread of the machinery and equipment finance leasing business was approximately 5.8% and 4.4%, respectively. Our net interest margin and spread remained stable for the years ended 31 December 2016 and 2017.

For the six months ended 30 June 2018, the average balance of the interest-earning assets decreased to approximately RMB8.5 million while our net interest margin of the machinery and equipment finance leasing business was approximately 3.5%, and our net interest spread of the machinery and equipment finance leasing business was approximately 3.5%, respectively. Our net interest margin and spread remained stable for the six months ended 30 June 2018.

Other income

Other income includes bank interest income, imputed interest income from related parties, government subsidies and other service fee income.

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Bank interest income	49,947	54,091	19,169	31,046
Imputed interest income from related parties	3,186,898	827,539	827,539	—
Government subsidies	6,930,116	5,877,932	4,305,501	309,165
Other service fee income	368,834	—	—	—
Others	284,224	357,157	60,612	195,421
Total other income	10,820,019	7,116,719	5,212,821	535,632

FINANCIAL INFORMATION

The imputed interest income from related parties was derived from loans to Mr. Chau David, Kailan and Xin You, amounted to approximately RMB3.2 million, RMB0.8 million and nil, for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. The decrease is due to the substantial settlement of the loans by Kailan and Mr. Chau David in June 2017 and August 2017, respectively.

The government subsidies to our Group primarily consist of refund upon levy of value-added tax offered to enterprises in the financial industry or finance leasing industry of approximately RMB6.9 million, RMB5.9 million and RMB0.3 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

Other gains and losses

Other gains and losses include other investment gain and net exchange gain or loss.

The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Other investment gain	18,757	355,888	46,943	135,754
Exchange (loss) gain, net	<u>(765,217)</u>	<u>1,477,687</u>	<u>656,204</u>	<u>(30,043)</u>
	<u>(746,460)</u>	<u>1,833,575</u>	<u>703,147</u>	<u>105,711</u>

Our other gains and losses mainly represent currency translation differences between Hong Kong dollars and Renminbi which arose from the shareholder's loan of our Group originated in Hong Kong dollars and investment gain from unlisted short-term investment products.

Other investment gain represented the gain arising from our Group's investment in short-term unlisted financial products which were purchased and redeemed upon maturity from the banks in the PRC during each of the two years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 and are low risk in nature. During the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, our Group invested in an aggregate of approximately RMB27.5 million, RMB86.5 million and RMB83.8 million, respectively, in such short-term unlisted financial products while they were redeemed on the same year/period upon maturity in the amount of approximately RMB27.5 million, RMB86.9 million and RMB83.9 million, resulting in a gain of RMB18,757, RMB355,888 and RMB135,754, respectively, credited to other gains and losses.

FINANCIAL INFORMATION

Pursuant to our Group's investment policy, our 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. Our chief financial officer is responsible for overseeing the investment policy of our Group.

Staff costs

Staff costs primarily include salaries and other benefits and retirement benefit scheme contributions. Our staff costs remained stable over the Track Record Period. Staff costs were approximately RMB12.3 million, RMB12.2 million and RMB5.1 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. Details of staff cost are set out below:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Directors' emoluments	656,415	654,744	327,559	327,480
Salaries, bonus and other benefits (excluding directors)	9,084,259	9,023,322	5,403,707	3,678,004
Retirement benefit scheme contributions (excluding directors)	<u>2,534,203</u>	<u>2,557,467</u>	<u>1,511,547</u>	<u>1,045,349</u>
Total staff cost	<u><u>12,274,877</u></u>	<u><u>12,235,533</u></u>	<u><u>7,242,813</u></u>	<u><u>5,050,833</u></u>

For illustrative purpose only, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation in our staff costs during the Track Record Period:

Hypothetical fluctuations	+/-5%	+/-10%
Increase/decrease in staff costs		
Year ended 31 December 2016	+/-RMB0.6 million	+/-RMB1.2 million
Year ended 31 December 2017	+/-RMB0.6 million	+/-RMB1.2 million
Six months ended 30 June 2017	+/-RMB0.4 million	+/-RMB0.7 million
Six months ended 30 June 2018	+/-RMB0.3 million	+/-RMB0.5 million

FINANCIAL INFORMATION

Impairment losses on finance lease receivables

We recognised impairment losses on finance lease receivables of approximately RMB5.5 million for the year ended 31 December 2016 and a reversal of impairment losses on finance lease receivables of approximately RMB1.1 million for the year ended 31 December 2017. For the six months ended 30 June 2018, we recognised a reversal of impairment losses on finance lease receivables of approximately RMB0.9 million.

The reversal of impairment losses of approximately RMB1.1 million on finance lease receivables for the year ended 31 December 2017 was primarily due to (i) the management's enhanced effort in debt collection; (ii) the transfer of related finance lease receivables to an independent financial institution with no recourse in the amount of approximately RMB29.7 million (net of individual impairment loss of approximately RMB4.9 million); and (iii) improvement of the asset quality as evidenced by the decrease in overdue receivables (before provision) by approximately RMB69.0 million from approximately RMB92.9 million as at 31 December 2016 to approximately RMB23.9 million as at 31 December 2017.

On 1 January 2018, we adopted IFRS 9 and the reversal of impairment losses of approximately RMB0.9 million on finance lease receivables for the six months ended 30 June 2018 was primarily due to improvement of the asset quality of the finance lease receivables. As at 30 June 2018, a substantial proportion of finance lease receivables is measured at 12m ECL. Such category of finance lease receivables classified under IFRS 9 represents financial assets where there is low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.

Please refer to our analysis in the subsection headed "Finance lease receivables" below for details of the impairment assessment as the finance lease receivables.

FINANCIAL INFORMATION

Other operating expenses

Other operating expenses primarily include rental and property management fees, travelling expense, market consultancy fee and others. The following table sets forth a breakdown of our other operating expenses by natures for the periods indicated:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Market consultancy fee	1,724,071	1,455,231	1,353,895	1,040,083
Depreciation and amortisation	851,520	824,341	447,211	215,642
Office expenses	769,466	457,403	367,608	341,843
Professional fee	623,906	1,328,486	787,684	866,572
Rental and property management fees	2,695,370	2,725,691	1,560,615	1,008,561
Travelling expense	2,453,720	2,031,767	957,360	906,309
Others	1,751,198	1,606,485	749,465	760,052
Total other operating expenses	<u>10,869,251</u>	<u>10,429,404</u>	<u>6,223,838</u>	<u>5,139,062</u>

Finance costs

Our finance costs primarily consist of (i) interest expense on bank and other borrowings; and (ii) imputed interest expense arising from deposits from finance lease customers. Our finance costs amounted to approximately RMB16.6 million, RMB18.4 million and RMB10.9 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. The following table sets forth a breakdown of our finance costs by nature for the periods indicated:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Interest expense on bank and other borrowings	6,157,763	5,262,676	2,393,825	4,235,018
Imputed interest expense arising from deposits from finance lease customers	<u>10,458,996</u>	<u>13,107,939</u>	<u>6,922,408</u>	<u>6,683,971</u>
Total finance costs	<u>16,616,759</u>	<u>18,370,615</u>	<u>9,316,233</u>	<u>10,918,989</u>

FINANCIAL INFORMATION

For illustrative purpose only, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation in our finance costs during the Track Record Period:

Hypothetical fluctuations	+/-5%	+/-10%
Increase/decrease in finance costs		
Year ended 31 December 2016	+/-RMB0.8 million	+/-RMB1.7 million
Year ended 31 December 2017	+/-RMB0.9 million	+/-RMB1.8 million
Six months ended 30 June 2017	+/-RMB0.5 million	+/-RMB0.9 million
Six months ended 30 June 2018	+/-RMB0.5 million	+/-RMB1.1 million

Income tax expense

Hong Kong profits tax

Our Hong Kong incorporated subsidiary, Metropolis Hong Kong, is subject to Hong Kong profits tax. Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. There is no Hong Kong profits tax for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 as our Group had no assessable profits in any years of assessment during the Track Record Period.

PRC enterprise income tax

The PRC enterprise income tax rate applicable to the PRC incorporated subsidiaries is 25%. During the Track Record Period, our Company was not entitled to any special tax treatment.

Our Group's income tax expense amounted to approximately RMB2.3 million, RMB1.8 million and RMB1.0 million for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively. The effective tax rates for the corresponding periods were approximately 25.9%, 25.8% and 26.3%, respectively.

FINANCIAL INFORMATION

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately RMB5.6 million or 12.6% from approximately RMB44.1 million for the year ended 31 December 2016 to approximately RMB49.7 million for the year ended 31 December 2017 primarily due to the increase of sale and leaseback income from our vehicle finance leasing business.

Our vehicle finance leasing income increased by approximately RMB7.9 million, or 19.9%, from approximately RMB39.9 million for the year ended 31 December 2016 to approximately RMB47.8 million for the year ended 31 December 2017 mainly due to increase in the annual return rate of the finance lease contracts entered into during the year ended 31 December 2017. The increase in our vehicle finance leasing income for the year ended 31 December 2017 was also attributable to the strategic allocation of more of our resources from machinery and equipment finance leasing business to vehicle finance leasing business.

Our machinery and equipment finance leasing income decreased by approximately RMB2.7 million, or 64.3%, from approximately RMB4.2 million for the year ended 31 December 2016 to approximately RMB1.5 million for the year ended 31 December 2017 as we strategically allocated more of our resources in developing our vehicle finance leasing business.

Other income

Our other income decreased by approximately RMB3.7 million, or 34.2%, from approximately RMB10.8 million for the year ended 31 December 2016 to approximately RMB7.1 million for the year ended 31 December 2017 due to the decrease in imputed interest income from related parties as a result of the substantial settlement of loans to related parties during 2017.

Other gains and losses

Our other gains and losses increased by approximately RMB2.6 million from a loss amounted to approximately RMB0.7 million to a gain of approximately RMB1.8 million due to the appreciation of currency exchange rate between Hong Kong dollars against Renminbi arising from the shareholder's loan of our Group originated in Hong Kong dollars and the increase in investment gain in the unlisted short term fixed deposit of approximately RMB0.3 million for the year ended 31 December 2017.

FINANCIAL INFORMATION

Staff costs

Our staff costs slightly decreased by approximately RMB0.1 million or 0.3% from approximately RMB12.3 million for the year ended 31 December 2016 to approximately RMB12.2 million for the year ended 31 December 2017.

Impairment loss on finance lease receivables

Our impairment loss on finance lease receivables changed from a recognition of RMB5.5 million for the year ended 31 December 2016 to a reversal of impairment losses amounted to approximately RMB1.1 million for the year ended 31 December 2017, mainly representing the reduction of provision made on certain outstanding receivables that have been overdue for over six months during the same period as a result of (i) the management's enhanced effort in debt collection; (ii) transfer of related finance lease receivables to an independent financial institution with no recourse; and (iii) improvement of the asset quality. For details, please see note 18 to the Accountants' Report as set out in Appendix I to this prospectus.

Other operating expenses

Other operating expenses decreased by approximately RMB0.5 million or 4.0% from approximately RMB10.9 million for the year ended 31 December 2016 to approximately RMB10.4 million for the year ended 31 December 2017 primarily due to (i) the decrease in travelling expense by approximately RMB0.4 million; (ii) the decrease in market consultancy fee by approximately RMB0.3 million; and (iii) the decrease in office expenses by approximately RMB0.3 million but was partially offset by the increase in professional fee by approximately RMB0.7 million which is due to the increase in the cost of urging customer repayment in 2017.

Finance costs

Our finance costs increased by approximately RMB1.8 million or 10.6% from approximately RMB16.6 million for the year ended 31 December 2016 to approximately RMB18.4 million for the year ended 31 December 2017. Such increase was mainly due to the increase in imputed interest expense arising from deposits from finance lease customers by approximately RMB2.6 million or 24.7% from approximately RMB10.5 million for the year ended 31 December 2016 to approximately RMB13.1 million for the year ended 31 December 2017 as a result of increase in deposits from vehicle finance lease customers which is partly offset by the decrease in interest on bank and other borrowings by approximately RMB0.9 million.

FINANCIAL INFORMATION

Income tax expense

Income tax expense decreased by approximately RMB0.5 million or 22.2% from approximately RMB2.3 million for the year ended 31 December 2016 to approximately RMB1.8 million for the year ended 31 December 2017. The effective tax rates remained stable for the years ended 31 December 2016 and 2017 which were approximately 25.9% and 25.8%, respectively.

Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by approximately RMB1.4 million, or 21.9%, from approximately RMB6.5 million for the year ended 31 December 2016 to approximately RMB5.1 million for the year ended 31 December 2017, primarily as a result of (i) the increase in listing expenses by approximately RMB11.4 million; and (ii) the increase in finance cost by approximately RMB1.8 million, and is partially netted off by (i) the increase in revenue by approximately RMB5.6 million; and (ii) the change in recognition of impairment losses on finance lease receivables, from an impairment loss of approximately RMB5.5 million to a reversal of impairment loss of approximately RMB1.1 million which have a positive impact to the net profit after tax of our Group for the year ended 31 December 2017.

Six months ended 30 June 2018 compared to six months ended 30 June 2017

Revenue

Our revenue slightly decreased by approximately RMB1.0 million, or 3.8%, from approximately RMB26.2 million for the six months ended 30 June 2017 to approximately RMB25.2 million for the six months ended 30 June 2018, respectively.

Our revenue from vehicle finance leasing was approximately RMB24.9 million for the six months ended 30 June 2018 which is at similar level of approximately RMB25.0 million for the six months ended 30 June 2017.

Our machinery and equipment finance leasing decreased by approximately RMB0.9 million, or 75.5%, from approximately RMB1.2 million arising from two corporate customers for the six months ended 30 June 2017 to approximately RMB0.3 million arising from one corporate customer for the six months ended 30 June 2018 as the finance lease contract with one corporate customer ended in 2017 while our Group continued our focus on vehicle finance leasing.

FINANCIAL INFORMATION

Other income

Our other income decreased by approximately RMB4.7 million, or 89.7% from approximately RMB5.2 million for the six months ended 30 June 2017 to approximately RMB0.5 million for the six months ended 30 June 2018 due to the decrease in government subsidies in 2018 by approximately RMB4.0 million and the decrease in imputed interest income from related parties by approximately RMB0.8 million as a result of the settlement of the loans to related parties during 2017.

Other gains and losses

Our other gains and losses decreased by approximately RMB0.6 million, or 85.0%, from approximately RMB0.7 million for the six months ended 30 June 2017 to approximately RMB0.1 million for the six months ended 30 June 2018 due to the exchange loss of approximately RMB0.03 million in 2018 as compared to an exchange gain of approximately RMB0.6 million in 2017.

Staff costs

Our staff costs decreased by approximately RMB2.2 million, or 30.3%, from approximately RMB7.2 million for the six months ended 30 June 2017 to approximately RMB5.1 million for the six months ended 30 June 2018 because the number of our employees decreased by 43, or 32.6%, from an average of 132 for the six months ended 30 June 2017 to an average of 89 for the six months ended 30 June 2018, but was partly offset by the increase in average monthly salary per employee by approximately 11.3% for the six months ended 30 June 2018 as compared to that of the same period in 2017. We had fewer number of employees for the six months ended 30 June 2018 compared to that for the six months ended 30 June 2017 mainly because we entered into fewer number of finance lease agreements with individual customers during the six months ended 30 June 2018 since we were able to secure finance leases with more SME customers during the same period which generally entered into finance leases with us with higher net financing amount compared to those we entered into with individual customers. As such, fewer employees were required for exploration of potential new finance leasing projects with individual customers.

Impairment loss on finance lease receivables

Our Group recorded a reversal of impairment loss on finance lease receivables of approximately RMB0.9 million for the six months ended 30 June 2018 as compared to an impairment loss of approximately RMB3.5 million for the six months ended 30 June 2017. The change of impairment loss was mainly a result of the improvement in asset quality of the finance lease receivables and the adoption of IFRS 9 in January 2018 under which we began assessment of the expected credit loss of the finance lease receivables.

FINANCIAL INFORMATION

Other operating expenses

Other operating expenses decreased by approximately RMB1.1 million, or 17.4%, from approximately RMB6.2 million for the six months ended 30 June 2017 to approximately RMB5.1 million for the six months ended 30 June 2018 due to the decrease in marketing consultancy fee and rental and property management fees.

Finance costs

Our finance cost increased by approximately RMB1.6 million, or 17.2%, from approximately RMB9.3 million for the six months ended 30 June 2017 to approximately RMB10.9 million for the six months ended 30 June 2018 as our Group entered into new loans with banks and independent third parties during the six months ended 30 June 2018 in the amount of approximately RMB119.8 million with nominal interest rate ranging from 5.7% to 9.0% per annum.

Income tax expense

Our Group recorded income tax expense of approximately RMB1.0 million for the six months ended 30 June 2018, as compared to an income tax credit of approximately RMB0.1 million for the six months ended 30 June 2017. The income tax credit in 2017 was arisen from the loss allowance on finance lease receivables. The effective tax rate for the six months ended 30 June 2018 was approximately 26.3% which is comparable to that of approximately 25.8% for the year ended 31 December 2017.

Profit and total comprehensive income for the period

Our profit and total comprehensive income for the six months ended 30 June 2018 increased by approximately RMB3.0 million from a net loss of approximately RMB0.3 million for the six months ended 30 June 2017 to a net profit of approximately RMB2.7 million for the six months ended 30 June 2018, primarily as a result of (i) the decrease in staff cost by approximately RMB2.2 million; (ii) the decrease in listing expenses by approximately RMB3.8 million; and (iii) the reversal of impairment loss on finance lease receivables of approximately RMB0.9 million, which is partially offset by (i) the decrease in other income by approximately RMB4.7 million; and (ii) the increase in finance costs by approximately RMB1.6 million.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of capital are to fund our finance leases business and to manage the working capital of our daily operations. During the Track Record Period, we financed our finance leasing business primarily through interest-bearing bank and other borrowings and internal resources. After Listing, we expect to fund part of our capital needs by using the proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds through bank and other borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business or repaying our bank and other borrowings when they fall due.

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Operating cash flows before movement				
in working capital	29,388,775	22,647,146	11,294,710	13,281,696
Changes in working capital	(112,495,797)	(8,313,868)	15,296,882	(48,911,590)
Income tax paid	(1,959,272)	(1,436,140)	(722,283)	(5,302,756)
Bank interest received	49,947	54,091	19,169	31,046
Interest paid	<u>(6,065,750)</u>	<u>(5,178,739)</u>	<u>(2,442,766)</u>	<u>(4,077,333)</u>
Net cash (used in)/from operating activities	(91,082,097)	7,772,490	23,445,712	(44,978,937)
Net cash (used in)/from investing activities	48,484,308	19,438,354	32,817,853	(324,870)
Net cash (used in)/from financing activities	<u>37,269,777</u>	<u>(29,627,456)</u>	<u>(41,505,902)</u>	<u>54,815,341</u>
Net (decrease)/increase in cash and cash equivalents	(5,328,012)	(2,416,612)	14,757,663	9,511,534
Cash and cash equivalents at beginning of the year	11,968,158	6,645,219	6,645,219	4,229,539
Effect of exchange rate change	<u>5,073</u>	<u>932</u>	<u>254</u>	<u>(385)</u>
Cash and cash equivalents at end of the year/period	<u><u>6,645,219</u></u>	<u><u>4,229,539</u></u>	<u><u>21,403,136</u></u>	<u><u>13,740,688</u></u>

FINANCIAL INFORMATION

Operating activities

During the Track Record Period, our operating cash inflows were primarily interest income derived from the provision of finance leases and our operating cash outflows mainly comprised of payments of finance cost and direct operating cost as well as other working capital needs and tax payments.

For the year ended 31 December 2016, our Group had cash flow generated from operating activities before movement in working capital of approximately RMB29.4 million which our Group recorded net cash used in operating activities of approximately RMB91.1 million. The substantial amount of cash used in operating activities for the year ended 31 December 2016 was mainly due to (i) the increase in finance lease receivables of approximately RMB110.5 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2016 with aggregate net financing amount of approximately RMB303.8 million; and (ii) the decrease in other payables and accrued expenses of approximately RMB11.8 million as a result of the settlement of administrative expenses and accrued tax payable by our Group which was partially offset by the increase in deposits from finance lease customers (non-current portion) of approximately RMB16.2 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2016.

For the year ended 31 December 2017, our Group had cash flow generated from operating activities before movement in working capital of approximately RMB22.6 million and net cash generated from operating activities of approximately RMB7.8 million, primarily as a result of the decrease in finance lease receivables of approximately RMB23.1 million, which was partially offset by (i) the decrease in deposits from finance lease customers of approximately RMB20.0 million; and (ii) the decrease in other payables and accrued expenses.

For the six months ended 30 June 2018, our Group had cash flow generated from operating activities before movement in working capital of approximately RMB13.3 million while our Group recorded net cash used in operating activities of approximately RMB45.0 million. The substantial amount of cash used in operating activities for the six months ended 30 June 2018 was mainly due to (i) the increase in financial lease receivables of approximately RMB36.9 million as a result of the increase in the amount of finance leases newly entered into by our Group in 2018 with aggregate net financing amount of approximately RMB208.8 million; (ii) the settlement of listing costs payable of approximately RMB4.2 million; (iii) the settlement of income tax payable of approximately RMB5.3 million; and (iv) the payment of interest of approximately RMB4.1 million during the six months ended 30 June 2018.

Investing activities

During the Track Record Period, our cash outflow used in investing activities was principally used for purchasing unlisted short-term financial products and advance to related parties. Our cash inflow from investing activities was principally from the proceeds on disposal of unlisted short-term financial products, withdrawal of security deposits and repayments from related parties. The unlisted short-term financial products are mainly short-term fixed deposits

FINANCIAL INFORMATION

in banks. During the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, our Group invested in an aggregate of approximately RMB27.5 million, RMB86.5 million and RMB83.8 million, respectively, in such short-term fixed deposits. Our Group made more than 10 transactions in such short-term fixed deposits with principal amounts ranging from approximately RMB0.5 million to RMB8.0 million, from approximately RMB0.5 million to RMB14.5 million and from approximately RMB2.8 million to RMB40.0 million, respectively, during each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018.

For the year ended 31 December 2016, our Group had net cash generated from investing activities of approximately RMB48.5 million primarily attributable to repayments from related parties of approximately RMB53.0 million during the year.

For the year ended 31 December 2017, our Group had net cash generated from investing activities of approximately RMB19.4 million primarily attributable to the withdrawal of security deposits of approximately RMB21.0 million during the year.

For the six months ended 30 June 2018, our Group had net cash used in investing activities of approximately RMB0.3 million primarily attributable to the payments for the acquisition of property and equipment and intangible assets of approximately RMB0.5 million during the period.

During the Track Record Period, our 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. Such investments have been fully disposed of during each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018. With a view towards increasing our Group's returns, our Group intends to continue investing in similar financial assets with a low-risk profile. Pursuant to our Group's investment policy, our 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.

Financing activities

During the Track Record Period, our cash outflow from financing activities principally derived from repayments of bank and other borrowings. Our cash inflow from financing activities principally arose from new bank and other borrowings raised.

For the year ended 31 December 2016, our Group had net cash generated from financing activities of approximately RMB37.3 million, which was primarily attributable to new bank and other borrowings raised of approximately RMB175.3 million and partially offset by repayments of bank and other borrowings of approximately RMB163.4 million.

For the year ended 31 December 2017, our Group had net cash used in financing activities of approximately RMB29.6 million, which was primarily attributable to repayments of bank and other borrowings of approximately RMB74.5 million and partially offset by new bank and other borrowings raised of approximately RMB38.3 million.

FINANCIAL INFORMATION

For the six months ended 30 June 2018, our Group had net cash generated from financing activities of approximately RMB54.8 million, which was primarily attributable to new bank and other borrowings raised of approximately RMB119.8 million and partially offset by repayments of bank and other borrowings of approximately RMB57.8 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. No changes were made in the objectives, policies or processes during the Track Record Period.

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		As at 30 June
	2016	2017	2018
	RMB	RMB	RMB
Total equity	<u>162,984,880</u>	<u>168,067,269</u>	<u>170,142,693</u>
Overall financing			
Bank and other borrowings	66,049,000	29,867,109	91,885,712
Amount due to related parties	<u>26,134,179</u>	<u>4,961,998</u>	<u>58,606</u>
	<u>92,183,179</u>	<u>34,829,107</u>	<u>91,944,318</u>
Equity-to-overall financing ratio			
(Note)	<u>1:0.57</u>	<u>1:0.21</u>	<u>1:0.54</u>

Note: Equity-to-overall financing ratio was calculated 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.

FINANCIAL INFORMATION

Liquidity and net current assets

We recorded total current assets of approximately RMB271.6 million, RMB205.5 million and RMB231.7 million as at 31 December 2016 and 2017 and 30 June 2018, respectively, and net current assets of approximately RMB134.0 million, RMB120.0 million and RMB116.5 million as at 31 December 2016 and 2017 and 30 June 2018, respectively. As at 30 September 2018, our total current assets amounted to approximately RMB212.5 million, and our net current assets amounted to approximately RMB120.8 million. The following table sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December		As at 30 June	As at 30 September
	2016	2017	2018	2018
	RMB	RMB	RMB	RMB
				(unaudited)
Current assets				
Loans to related parties	37,134,826	10,000,000	10,000,000	10,000,000
Prepayments, deposits and other receivables	11,314,859	7,723,441	8,431,646	8,342,466
Finance lease receivables	195,406,422	183,505,651	199,187,338	185,942,447
Security deposits	21,100,000	–	383,502	383,502
Bank balances and cash	<u>6,645,219</u>	<u>4,229,539</u>	<u>13,740,688</u>	<u>7,822,001</u>
	<u>271,601,326</u>	<u>205,458,631</u>	<u>231,743,174</u>	<u>212,490,416</u>
Current liabilities				
Amounts due to related parties	26,134,179	4,961,998	58,606	–
Other payables and accrual expenses	38,827,747	22,923,166	13,982,576	9,095,545
Deposits from finance lease customers	14,474,564	21,989,595	24,022,958	28,329,053
Bank and other borrowings	51,000,571	29,867,109	76,535,833	53,504,565
Taxation	<u>7,137,788</u>	<u>5,701,648</u>	<u>672,982</u>	<u>804,272</u>
	<u>137,574,849</u>	<u>85,443,516</u>	<u>115,272,955</u>	<u>91,733,435</u>
Net current assets	<u><u>134,026,477</u></u>	<u><u>120,015,115</u></u>	<u><u>116,470,219</u></u>	<u><u>120,756,981</u></u>

FINANCIAL INFORMATION

We fund our finance lease receivables portfolio principally through our interest-bearing bank and other borrowings and internal resources. We manage liquidity primarily by monitoring the maturities of our assets and liabilities with 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 and mitigate the effects of fluctuation in cash flows.

Our net current assets decreased by approximately RMB14.0 million or 10.4% from approximately RMB134.0 million as at 31 December 2016 to approximately RMB120.0 million as at 31 December 2017. The decrease was mainly due to (i) the decrease in the current portion of finance lease receivables by approximately RMB11.9 million; and (ii) the decrease in security deposits by approximately RMB21.1 million which was partially offset by the decrease in the current portion of bank and other borrowings by approximately RMB21.1 million.

Our net current assets decreased by approximately RMB3.5 million or 2.9% from approximately RMB120.0 million as at 31 December 2017 to approximately RMB116.5 million as at 30 June 2018. The decrease was mainly due to the increase in the current portion of bank and other borrowings by approximately RMB46.7 million which was partially offset by (i) the increase in the current portion of finance lease receivables by approximately RMB15.7 million; (ii) the increase in bank balances and cash by approximately RMB9.5 million; (iii) the decrease in other payables and accrual expenses by approximately RMB8.9 million; (iv) the decrease in taxation by approximately RMB5.0 million; and (v) the decrease in amounts due to related parties by approximately RMB4.9 million.

Our net current assets increased by approximately RMB4.3 million or 3.7% from approximately RMB116.5 million as at 30 June 2018 to approximately RMB120.8 million as at 30 September 2018. The increase was mainly due to (i) the decrease in bank and other borrowings by approximately RMB23.0 million; and (ii) the decrease in other payables and accrual expenses by approximately RMB4.9 million which was partially offset by (i) the decrease in finance lease receivables by approximately RMB13.2 million; (ii) the increase in the current portion of deposits from finance lease customers by approximately RMB4.3 million; and (iii) the decrease in bank balances and cash by approximately RMB5.9 million.

FINANCIAL INFORMATION

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 optimise 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 refer to the paragraph headed “Liquidity risk management” in the section headed “Risk management” in this prospectus.

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

As at 31 December 2016	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	2 to 3 years	Total undiscounted cash flows	Carrying amount at
	%	RMB	RMB	RMB	RMB	RMB	RMB	RMB	31 December 2016 RMB
Assets									
Finance lease receivables	21.47%	42,410,002	20,801,436	33,731,296	133,861,494	75,694,750	26,277,844	332,776,822	274,212,879
Bank balances and cash	–	6,645,219	–	–	–	–	–	6,645,219	6,645,219
Security deposits	–	21,100,000	–	–	–	–	–	21,100,000	21,100,000
Loans to related parties	4.75%	6,048,880	–	–	31,963,139	–	–	38,012,019	37,134,826
Deposits and other receivables	–	4,775,584	–	–	–	–	–	4,775,584	4,775,584
Total non-derivative financial assets		80,979,685	20,801,436	33,731,296	165,824,633	75,694,750	26,277,844	403,309,644	343,868,508
Liabilities									
Deposits from finance lease customers	22.92%	–	7,555,666	1,479,399	13,820,962	31,208,919	20,643,102	74,708,048	54,693,393
Bank and other borrowings	8.20%	–	7,266,996	9,685,577	37,195,067	15,119,496	–	69,267,136	66,049,000
Amounts due to related parties	–	26,134,179	–	–	–	–	–	26,134,179	26,134,179
Other payables	–	8,180,038	–	–	20,000,000	–	–	28,180,038	28,180,038
Total non-derivative financial liabilities		34,314,217	14,822,662	11,164,976	71,016,029	46,328,415	20,643,102	198,289,401	175,056,610
As at 31 December 2017									
	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	2 to 3 years	Total undiscounted cash flows	Carrying amount at
	%	RMB	RMB	RMB	RMB	RMB	RMB	RMB	31 December 2017 RMB
Assets									
Finance lease receivables	19.47%	10,491,899	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	291,639,387	252,239,747
Bank balances and cash	–	4,229,539	–	–	–	–	–	4,229,539	4,229,539
Loans to related parties	–	10,000,000	–	–	–	–	–	10,000,000	10,000,000
Deposits and other receivables	–	1,525,090	–	–	–	–	–	1,525,090	1,525,090
Total non-derivative financial assets		26,246,528	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	307,394,016	267,994,376
Liabilities									
Deposits from finance lease customers	21.56%	–	1,264,585	1,100,987	16,256,199	28,038,351	6,684,031	53,344,153	47,772,551
Bank and other borrowings	12.43%	–	17,833,363	4,946,174	8,111,120	–	–	30,890,657	29,867,109
Amounts due to related parties	–	4,961,998	–	–	–	–	–	4,961,998	4,961,998
Listing costs payables	–	7,893,960	–	–	–	–	–	7,893,960	7,893,960
Other payables	–	10,536,743	–	–	–	–	–	10,536,743	10,536,743
Total non-derivative financial liabilities		23,392,701	19,097,948	6,047,161	24,367,319	28,038,351	6,684,031	107,627,511	101,032,361

FINANCIAL INFORMATION

As at 30 June 2018	Weighted average effective interest rate %	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 30 June 2018 RMB
Assets									
Finance lease receivables	18.62%	10,130,273	24,410,333	43,426,230	146,429,151	80,957,581	27,779,585	333,133,153	289,252,497
Bank balances and cash	-	13,740,688	-	-	-	-	-	13,740,688	13,740,688
Security deposits	0.35%	-	-	-	384,397	-	-	384,397	383,502
Loans to related parties	-	10,000,000	-	-	-	-	-	10,000,000	10,000,000
Deposit and other receivables	-	1,722,172	-	-	-	-	-	1,722,172	1,722,172
Total non-derivative financial assets		35,593,133	24,410,333	43,426,230	146,813,548	80,957,581	27,779,585	358,980,410	315,098,859
Liabilities									
Deposits from finance lease customers	20.62%	-	1,552,314	1,902,353	15,840,890	25,759,840	9,746,800	54,802,197	49,931,715
Bank and other borrowings	11.71%	-	9,960,202	28,505,502	43,525,672	15,938,257	-	97,929,633	91,885,712
Amounts due to related parties	-	58,606	-	-	-	-	-	58,606	58,606
Listing costs payables	-	2,559,263	-	-	-	-	-	2,559,263	2,559,263
Other payables	-	7,101,594	-	-	-	-	-	7,101,594	7,101,594
Total non-derivative financial liabilities		9,719,463	11,512,516	30,407,855	59,366,562	41,698,097	9,746,800	162,451,293	151,536,890

Our overall maturity profile of the finance lease receivables remains stable as at 31 December 2017 compared to 31 December 2016 and as at 30 June 2018 compared to 31 December 2017 except that the finance lease receivables on demand decreased by approximately RMB31.9 million from approximately RMB42.4 million to RMB10.5 million as at 31 December 2016 and 2017, respectively.

As at 31 December 2016 and 2017 and 30 June 2018, we had a net liquidity surplus of approximately RMB46.7 million, RMB2.9 million and RMB25.9 million for receivables/payables on demand. Our positive net liquidity surplus for such periods is mainly due to our finance lease receivables, security deposits and loans to related parties.

Our Group recorded net current assets and a net liquidity surplus for receivables/payables on demand as at 31 December 2016 and 2017 and 30 June 2018, which to a substantial extent was attributable to our finance lease receivables and security deposits with aggregate carrying amounts of approximately RMB42.4 million and RMB21.1 million as at 31 December 2016, respectively, approximately RMB10.5 million and nil as at 31 December 2017, respectively, and approximately RMB10.1 million and nil as at 30 June 2018, respectively. Our financing agreements with the bank contain a number of covenants, undertakings, restrictions and default provisions. For details of the terms stipulated in the agreements, please refer to the paragraph headed “Our lenders and funding capabilities – Bank and other borrowings” in the section headed “Business” in this prospectus.

FINANCIAL INFORMATION

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 recorded capital expenditures of approximately RMB0.6 million, RMB0.2 million and RMB12,154, respectively. Between 30 June 2018 and the Latest Practicable Date, we did not make any material capital expenditures.

Working Capital

Our Directors confirm that, taking into consideration the financial resources available to the Group, including internally generated funds, available credit facilities 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 the section headed "Future plans and use of proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Intangible assets

The intangible assets, representing 0.1%, 0.8% and 0.8% of our total assets as at 31 December 2016 and 2017 and 30 June 2018, respectively.

The following table sets forth a breakdown of the carrying amount of our intangible assets at the dates indicated:

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Software	290,996	—	—
Website development	13,268	6,634	3,317
Vehicle licenses	—	2,121,670	2,570,140
	<u>304,264</u>	<u>2,128,304</u>	<u>2,573,457</u>

Our intangible assets included mainly the 14 and 17 vehicle licenses as at 31 December 2017 and 30 June 2018, respectively. The increase in intangible assets in 2017 and as at 30 June 2018 was mainly due to the acquisition of 14 and three vehicle licenses in Shanghai, respectively.

FINANCIAL INFORMATION

The Directors are of the opinion that the vehicle licenses have indefinite useful lives, as the vehicle licenses are transferrable and able to renew with minimal cost, which is therefore carried at cost less accumulated impairment, if any.

The Directors had assessed that there was no impairment on vehicle licenses as at 31 December 2017 and 30 June 2018 with reference to the recent completed transaction prices in Shanghai on both dates.

Prepayments, deposits and other receivables

The prepayments, deposits and other receivables, representing approximately 3.2%, 2.8% and 2.6% of our total assets as at 31 December 2016 and 2017 and 30 June 2018, respectively.

The following table sets forth a breakdown of our non-finance lease receivables items as at the dates indicated:

	As at 31 December		As at 30 June
	2016	2017	2018
	RMB	RMB	RMB
Other receivables (<i>Note</i>)	4,508,037	1,276,040	1,449,306
Other prepayments	365,159	932,109	1,393,804
Deferred issue costs	–	3,641,538	4,469,657
Deposits	267,547	249,050	272,866
Value added tax recoverable	6,174,116	1,624,704	846,013
	<u>11,314,859</u>	<u>7,723,441</u>	<u>8,431,646</u>

Note: As at 31 December 2016 and 2017 and 30 June 2018, other receivables mainly included staff advance of approximately RMB1.2 million, RMB1.3 million and RMB1.4 million, respectively, and payments of insurance expenses on behalf of customer of approximately RMB3.4 million, nil and nil, respectively.

The prepayments, deposits and other receivables decreased by approximately RMB3.6 million or 31.7% from approximately RMB11.3 million as at 31 December 2016 to approximately RMB7.7 million as at 31 December 2017. The decrease was mainly due to the decrease in value added tax recoverable. It increased by approximately RMB0.7 million or 9.2% to approximately RMB8.4 million as at 30 June 2018. The increase was mainly due to the increase in deferred issue costs.

The deferred issue costs of approximately RMB3.6 million and RMB4.5 million as at 31 December 2017 and 30 June 2018, respectively, represents the qualifying portion of the listing expenses incurred up to 30 June 2018. Such qualifying portion of the listing expenses would be subsequently debited to equity of our Group as share issue costs in respect of the successful issue of new shares upon Listing.

For more details, please refer to note 17 to the Accountants' Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Finance lease receivables

Our Group's total assets mainly consist of finance lease receivables which represent approximately 77.1%, 90.3% and 88.5% of our total assets as at 31 December 2016 and 2017 and 30 June 2018, respectively.

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

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	2018
			RMB
Finance lease receivables	332,776,822	291,639,387	333,133,153
Less: Unrealised finance lease income	<u>(45,159,736)</u>	<u>(34,890,769)</u>	<u>(39,490,280)</u>
Present value of minimum lease payment	287,617,086	256,748,618	293,642,873
Less: Allowance of doubtful accounts	<u>(13,404,207)</u>	<u>(4,508,871)</u>	<u>(4,390,376)</u>
	<u>274,212,879</u>	<u>252,239,747</u>	<u>289,252,497</u>

The gross finance lease receivables include both interests and principal amounts we expect to receive from our customers under finance lease contracts. Net finance lease receivables represent finance lease receivables less unrealised finance lease income to be recognised over the lease period and allowance of doubtful accounts.

Our net finance lease receivables decreased by approximately RMB22.0 million or 8.0% from approximately RMB274.2 million as at 31 December 2016 to approximately RMB252.2 million as at 31 December 2017. The decrease as at 31 December 2017 was primarily driven by (i) the management's enhanced effort in debt collection; (ii) the transfer of finance lease receivables with a carrying amount of approximately RMB29.7 million to an independent financial institution with no recourse under the Asset Transfer Agreements; and (iii) improvement of the asset quality as evidenced by the decrease in overdue receivables by approximately RMB69.0 million, or approximately 74.3%, from approximately RMB92.9 million as at 31 December 2016 to approximately RMB23.9 million as at 31 December 2017.

As compared to 31 December 2017, our net finance lease receivables increased by approximately RMB37.0 million or 14.7% to approximately RMB289.3 million as at 30 June 2018, which is mainly due to (i) the increase in the net financing amount of vehicle finance leases entered into in 2018; and (ii) the decrease in the allowance of doubtful accounts as a result of improvement in the asset quality of the finance lease receivables. Since late 2017, we have diversified our customer base by providing inventory finance leasing to auto dealers for luxury cars of internationally well-known brands. Such leases are typically with higher net financing amount and with shorter lease term. Besides, for the six months ended 30 June 2018, the aggregate net financing amount of our new leases were mainly originated from SME customers, and such leases generally had higher net financing amount per lease when compared to those of individual customers.

FINANCIAL INFORMATION

The improvement in the asset quality of our Group during 2017 was driven by (i) the enhanced customer selection process prior to entering into finance leases implemented during 2017 which was evidenced by the increase in the rejection rate of our vehicle finance leases from approximately 7.3% for 2016 to 17.6% for 2017; (ii) the provision of our inventory finance leasing business to auto dealers in 2017 as no past due receivables under the relevant finance leases were recorded during 2017 and up to the Latest Practicable Date; and (iii) the transfer of our past due finance lease receivables with an aggregate amount of approximately RMB34.6 million (before provision for impairment loss) under 94 vehicle finance leasing agreements to an Independent Third Party under the Asset Transfer Agreements in May 2017. In addition, our risk management enforcement procedures were also strengthened in 2017 to improve the asset quality after the origination of finance leases. Our Group has increased the number of staff in asset management department who are responsible for performing the debt collection work. In particular, we employed a staff member in 2017 who is mainly responsible for making telephone enquiries to our customers who have defaulted more than one day and we employed two additional staff members in 2017 who are mainly responsible for handling the repossession of leased vehicles in respect of customers who have defaulted more than 60 days in accordance with the risk management procedures of our Group. During 2017, our Group has also hired more staff for legal department to enhance the efficiency in commencing the litigation procedures and dealing with the litigation procedures in respect of customers who have defaulted more than 90 days in accordance with the risk management procedures of our Group. The asset quality of our Group continued to show improvement during the six months ended 30 June 2018 since we continued to adopt stringent risk management enforcement procedures to manage our finance lease receivables.

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

	As at 31 December				As at 30 June	
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
Present value of minimum lease payment						
Vehicle finance leasing						
– Direct finance leasing	5,928,331	2.1	3,559,998	1.4	3,057,576	1.0
– Sale and leaseback	271,979,292	94.6	244,123,776	95.1	282,718,657	96.3
Machinery and equipment finance leasing						
– Direct finance leasing	3,051,318	1.0	9,064,844	3.5	7,866,640	2.7
– Sale and leaseback	6,658,145	2.3	–	–	–	–
	287,617,086	<u>100.0</u>	256,748,618	<u>100.0</u>	293,642,873	<u>100.0</u>
Less: Provision for finance lease receivables	(13,404,207)		(4,508,871)		(4,390,376)	
	<u>274,212,879</u>		<u>252,239,747</u>		<u>289,252,497</u>	

FINANCIAL INFORMATION

The discount rates adopted in calculating the present value of minimum lease payments mainly ranged from approximately 4.8% to 40.6%, 6.0% to 33.2%, and 7.9% to 42.2%, per annum as at 31 December 2016 and 2017 and 30 June 2018, respectively. The discount rates represent the effective interest rates of the respective leases after taking into account the normal cash price of the leased assets, deposits from finance lease customer, lease payments, and the residual value of the leased assets. At the origination of the vehicle finance leasing agreements, our Group estimates the residual value ratio of the leased vehicles by the end of each 12-month period of the lease term based on (i) the expected useful lives of each type of vehicle; and (ii) the estimated market value of vehicles in the second-hand market. Our Group then applies the residual value ratio on the purchase price of the leased vehicles in determining the residual value.

Based on the monthly equal instalment under the repayment schedule of our finances leases, the estimated residual value of the leased vehicles enhances the risk management process of our Group as such estimated residual value of the leased vehicles could normally cover the outstanding finance lease receivables of our Group which are not yet due.

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 assets.

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		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Current assets	195,406,422	183,505,651	199,187,338
Non-current assets	<u>78,806,457</u>	<u>68,734,096</u>	<u>90,065,159</u>
	<u><u>274,212,879</u></u>	<u><u>252,239,747</u></u>	<u><u>289,252,497</u></u>

FINANCIAL INFORMATION

The term of our finance lease contracts generally ranged from one year to three years. 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				As at 30 June	
	2016		2017		2018	
	RMB	%	RMB	%	RMB	%
Finance lease receivables						
Within one year	230,804,228	69.4%	206,326,461	70.7%	224,395,987	67.4%
One to three years	<u>101,972,594</u>	<u>30.6%</u>	<u>85,312,926</u>	<u>29.3%</u>	<u>108,737,166</u>	<u>32.6%</u>
	332,776,822	100.0%	291,639,387	100.0%	333,133,153	100.0%
Less: Unrealised finance income						
Within one year	(26,109,648)	57.8%	(19,630,914)	56.3%	(22,243,560)	56.3%
One to three years	<u>(19,050,088)</u>	<u>42.2%</u>	<u>(15,259,855)</u>	<u>43.7%</u>	<u>(17,246,720)</u>	<u>43.7%</u>
	(45,159,736)	100.0%	(34,890,769)	100.0%	(39,490,280)	100.0%
Present value of minimum lease payment						
Within one year	204,694,580	71.2%	186,695,547	72.7%	202,152,427	68.8%
One year to three years	<u>82,922,506</u>	<u>28.8%</u>	<u>70,053,071</u>	<u>27.3%</u>	<u>91,490,446</u>	<u>31.2%</u>
	287,617,086	100.0%	256,748,618	100.0%	293,642,873	100.0%
Less: Loss allowance on finance lease receivables	<u>(13,404,207)</u>		<u>(4,508,871)</u>		<u>(4,390,376)</u>	
	<u>274,212,879</u>		<u>252,239,747</u>		<u>289,252,497</u>	
For reporting purposes as:						
Current assets	195,406,422		183,505,651		199,187,338	
Non-current assets	<u>78,806,457</u>		<u>68,734,096</u>		<u>90,065,159</u>	
	<u>274,212,879</u>		<u>252,239,747</u>		<u>289,252,497</u>	

FINANCIAL INFORMATION

Quality of our finance lease receivables

The following is a credit quality analysis of finance lease receivables as at 31 December 2016 and 2017 and 30 June 2018, respectively. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Receivables not overdue	194,759,533	232,864,509	274,995,223
Overdue receivables without individually allowance of doubtful accounts under IAS 39	71,164,238	20,172,902	–
Overdue receivables with individually allowance of doubtful accounts under IAS 39	21,693,315	3,711,207	–
Overdue receivables with loss allowance under IFRS 9	–	–	18,647,650
Total	287,617,086	256,748,618	293,642,873
Less: Allowance of doubtful accounts under IAS 39 (individually)	(6,335,386)	(1,034,488)	–
Allowance of doubtful accounts under IAS 39 (collectively)	(7,068,821)	(3,474,383)	–
Loss allowance on finance lease receivables under IFRS 9	–	–	(4,390,376)
Total	274,212,879	252,239,747	289,252,497

The following is an ageing analysis based on past due dates of finance lease receivables which are past due but not individually impaired as at 31 December 2016 and 2017 and 30 June 2018, respectively:

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within one month	27,711,891	5,546,237	2,293,144
One to three months	21,050,241	4,647,867	7,029,078
Three months to one year	19,374,014	9,913,950	3,745,586
More than one year	3,028,092	64,848	5,579,842
Total	71,164,238	20,172,902	18,647,650

FINANCIAL INFORMATION

Movements of loss allowance on finance lease receivables during the Track Record Period

(A) Movement of allowance for the two years ended 31 December 2017 under IAS 39

	Individual impairment <i>RMB</i>	Collective impairment <i>RMB</i>	Total <i>RMB</i>
At 1 January 2016	(3,720,760)	(4,169,282)	(7,890,042)
Provision during the year	<u>(2,614,626)</u>	<u>(2,899,539)</u>	<u>(5,514,165)</u>
At 31 December 2016	(6,335,386)	(7,068,821)	(13,404,207)
(Provision) reversal during the year	(2,486,029)	3,594,438	1,108,409
Eliminated upon transfer of related finance lease receivables	4,913,346	–	4,913,346
Written-off	<u>2,873,581</u>	<u>–</u>	<u>2,873,581</u>
At 31 December 2017	<u><u>(1,034,488)</u></u>	<u><u>(3,474,383)</u></u>	<u><u>(4,508,871)</u></u>

(B) Movement of allowance for the six months ended 30 June 2018 under IFRS 9

	Stage 1 12m ECL <i>RMB</i>	Stage 2 Lifetime ECL not credit- impaired <i>RMB</i>	Stage 3 Lifetime ECL credit- impaired <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2018				4,508,871
Effect arising from adoption of IFRS 9 (<i>Note</i>)				<u>789,577</u>
As at 1 January 2018				5,298,448
Changes in the loss allowance:				
– Transfer to Stage 1	356,220	(297,020)	(59,200)	–
– Transfer to Stage 2	(26,256)	221,718	(195,462)	–
– Transfer to Stage 3	(527)	(140,587)	141,114	–
– (Credited) charged to profit or loss	(725,584)	504,140	(686,628)	<u>(908,072)</u>
As at 30 June 2018				<u><u>4,390,376</u></u>

FINANCIAL INFORMATION

Note: Our Group had initially adopted IFRS 9 “*Financial Instruments*” on 1 January 2018, while adopted IAS 39 “*Financial Instruments: Recognition and Measurement*” prior to 1 January 2018.

Our Group’s finance lease receivables were measured under IAS 17 “*Leases*” consistently throughout the Track Record Period, while the requirement of derecognition and impairment of which were accounted for under IAS 39 prior to 1 January 2018 and under IFRS 9 since 1 January 2018. Our Company assessed that the derecognition requirement related to the finance lease receivables are the same under both IFRS 9 and IAS 39. However, in relation to the impairment, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Whereas impairment loss under IAS 39 is recognised for a credit event to have occurred before credit losses are recognised. Therefore, application of IFRS 9 would result in early recognition of impairment losses based on expected credit loss model as compared to the incurred credit loss model under IAS 39.

Accordingly, as a result of the initial adoption of IFRS 9 on 1 January 2018, the difference between the carrying amounts of finance lease receivables as at 31 December 2017 and 1 January 2018, amounting to RMB789,577, was recognised in the opening retained profits, without restating the financial information for the years ended 31 December 2016 and 2017.

We review and assess for impairment individually based on customers’ repayment history and the values of the assets pledged. As at 31 December 2016 and 2017, an aggregate carrying amount of approximately RMB71.2 million and RMB20.2 million of our finance lease receivables were past due, respectively, but our Group has not provided for individual impairment loss as the management considered that there has not been a significant change in credit quality of these customers. Collective impairment allowance of approximately RMB7.1 million and RMB3.5 million were provided on past due but not individually impaired finance lease receivables as at 31 December 2016 and 2017, respectively.

The following table sets forth our finance lease receivables, the amount of finance lease receivables that are past due and the corresponding past due ratios, and the amount of provision for impairment losses and the corresponding coverage ratios as of the dates indicated:

	As at 31 December		As at
	2016	2017	30 June 2018
	<i>RMB, except for percentage</i>		
Finance lease receivables (before provision)	287,617,086	256,748,618	293,642,873
Provision for impairment losses on finance lease receivables	(13,404,207)	(4,508,871)	(4,390,376)
Provision to finance lease receivables ratio ⁽¹⁾	4.66%	1.76%	1.50%
Overall past due finance lease receivable ⁽²⁾	92,857,552	23,884,109	18,647,649
30+ days past due finance lease receivables ⁽³⁾	65,068,187	17,490,002	16,354,505
90+ days past due finance lease receivables ⁽⁴⁾	44,017,947	12,842,135	9,325,428
180+ days past due finance lease receivables ⁽⁵⁾	28,143,657	7,933,872	8,082,491
Overall past due ratio ⁽⁶⁾	32.29%	9.30%	6.35%
30+ days past due ratio ⁽⁷⁾	22.62%	6.81%	5.57%
Default ratio ⁽⁸⁾	15.30%	5.00%	3.18%

FINANCIAL INFORMATION

	As at 31 December		As at
	2016	2017	30 June
	RMB, except for percentage		
180+ days past due ratio ⁽⁹⁾	9.79%	3.09%	2.75%
Overall past due coverage ratio ⁽¹⁰⁾	14.44%	18.88%	23.54%
30+ days past due coverage ratio ⁽¹¹⁾	20.60%	25.78%	26.70%
90+ days past due coverage ratio ⁽¹²⁾	30.45%	35.11%	46.82%
180+ days past due coverage ratio ⁽¹³⁾	47.63%	56.83%	54.03%

Notes:

- (1) Represents provision for impairment losses on finance lease receivables divided by finance lease receivables.
- (2) Represents finance lease receivables that were past due.
- (3) Represents finance lease receivables that have been past due for over 30 days, which include those past due for one to three months, three to six months and over six months.
- (4) Represents finance lease receivables that have been past due for over 90 days, which include those past due for three to six months and over six months.
- (5) Represents finance lease receivables that have been past due for over six months.
- (6) Represents overall past due finance lease receivables divided by finance lease receivables that were past due.
- (7) Represents 30+ days past due finance lease receivables divided by finance lease receivables.
- (8) Represents 90+ days past due finance lease receivables divided by finance lease receivables in accordance with the Group's accounting policy on financial instruments under IFRS 9 in relation to the definition of default of financial assets.
- (9) Represents 180+ days past due finance lease receivables divided by finance lease receivables.
- (10) Represents provision for impairment losses on finance lease receivables divided by finance lease receivables that were past due.
- (11) Represents provision for impairment losses on finance lease receivables divided by 30+ days past due finance lease receivables.
- (12) Represents provision for impairment losses on finance lease receivables divided by 90+ days past due finance lease receivables.
- (13) Represents provision for impairment losses on finance lease receivables divided by 180+ days past due finance lease receivables.

FINANCIAL INFORMATION

The individual impairment allowances are individually impaired finance lease receivables with aggregate balances of approximately RMB6.3 million and RMB1.0 million as at 31 December 2016 and 2017, respectively, based on the customers repayment history and the values of the assets pledged. We will continually monitor the changes in asset quality of our asset portfolio and adjust our provision level accordingly to reflect the development of our business and asset portfolio.

Our Group entered into Asset Transfer Agreements during the year ended 31 December 2017 whereby our Group transferred finance lease receivables (before provision for impairment loss) of approximately RMB34.6 million, along with approximately RMB5.3 million of deposits received for these assets, to an Independent Third Party at a total consideration of approximately RMB28.1 million which was received by our Group during the year ended 31 December 2017. As a result of the disposal of finance lease receivables under the Asset Transfer Agreements, finance lease receivables of a total carrying amount of approximately RMB29.7 million (net of provision for impairment loss of approximately RMB4.9 million) was derecognised by our Group against a total cash consideration of approximately RMB28.1 million, which resulted in a loss on finance lease receivables of approximately RMB1.6 million charged to profit or loss.

Had our Group not entered into the Asset Transfer Agreements and the relevant finance lease receivables remained in our Group, based on our estimate of the recoverability and the subsequent settlement of those finance lease receivables from the date of disposal up to 31 December 2017 and applying our Group's provision policy, it is estimated that our Group would make a further provision for impairment loss on finance lease receivables of approximately RMB3.0 million for the year ended 31 December 2017. Under such scenario, the provision for impairment loss on finance lease receivables would increase from approximately RMB4.5 million to approximately RMB14.1 million, and the provision to finance lease receivables ratio would increase from 1.76% to 4.88% for the year ended 31 December 2017.

FINANCIAL INFORMATION

The following table sets forth the summary of the illustrative financial impact of the transfer of past due finance lease receivables under the Asset Transfer Agreements to our lease receivables, the amount of finance lease receivables that are past due for 30 days, 90 days or 180 days and the corresponding past due ratios, and the amount of provision for impairment losses and the corresponding coverage ratios as at 31 December 2017:

	As at 31 December 2017		
		Illustrative adjustments (based on the estimate collectibility of the past due finance lease receivables after the transfer)	Assuming that the past due finance lease receivables had not been transferred
	After the transfer of the past due finance lease receivables		
Finance lease receivables (before provision)	256,748,618	(31,721,996)	288,470,614
Provision for impairment losses on finance lease receivables	(4,508,871)	9,555,048	(14,063,919)
Provision to finance lease receivables ratio ⁽¹⁾	1.76%	N/A	4.88%
30+ days past due finance lease receivables ⁽²⁾	17,490,002	(31,681,136)	49,171,138
90+ days past due finance lease receivables ⁽³⁾	12,842,135	(31,045,379)	43,887,514
180+ days past due finance lease receivables ⁽⁴⁾	7,933,872	(31,045,379)	38,979,250
30+ days past due ratio ⁽⁵⁾	6.81%	N/A	17.05%
Default ratio ⁽⁶⁾	5.00%	N/A	15.21%
180+ days past due ratio ⁽⁷⁾	3.09%	N/A	13.51%
30+ days past due coverage ratio ⁽⁸⁾	25.78%	N/A	28.60%
90+ days past due coverage ratio ⁽⁹⁾	35.11%	N/A	32.05%
180+ days past due coverage ratio ⁽¹⁰⁾	56.83%	N/A	36.08%

Notes:

- (1) Represents provision for impairment losses on finance lease receivables divided by finance lease receivables.
- (2) Represents finance lease receivables that have been past due for over 30 days, which include those past due for one to three months, three to six months and over six months.
- (3) Represents finance lease receivables that have been past due for over 90 days, which include those past due for three to six months and over six months.

FINANCIAL INFORMATION

- (4) Represents finance lease receivables that have been past due for over six months.
- (5) Represents 30+ days past due finance lease receivables divided by finance lease receivables.
- (6) Represents 90+ days past due finance lease receivables divided by finance lease receivables in accordance with the Group's accounting policy on financial instruments under IFRS 9 in relation to the definition of default of financial assets.
- (7) Represents 180+ days past due finance lease receivables divided by finance lease receivables.
- (8) Represents provision for impairment losses on finance lease receivables divided by 30+ days past due finance lease receivables.
- (9) Represents provision for impairment losses on finance lease receivables divided by 90+ days past due finance lease receivables.
- (10) Represents provision for impairment losses on finance lease receivables divided by 180+ days past due finance lease receivables.

Since the adoption of IFRS 9 on 1 January 2018, our Group estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortised cost based on the credit risk of the finance lease receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables. The assessment of the credit risk of the finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. Our Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. As at 30 June 2018, the loss allowance on finance lease receivables of our Group was approximately RMB4.4 million.

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

For details, please refer to note 18 to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Certain other assets

Property and equipment

Our property and equipment comprise office equipment, motor vehicles and leasehold improvement. Property and equipment were approximately RMB1.6 million, RMB1.3 million and RMB1.1 million as at 31 December 2016 and 2017 and 30 June 2018, respectively, representing approximately 0.4%, 0.5% and 0.3% of our total assets, respectively.

Bank balances and cash

As at 31 December 2016 and 2017 and 30 June 2018, our Group had bank balances and cash of approximately RMB6.6 million, RMB4.2 million and RMB13.7 million, respectively. As at 31 December 2016 and 2017 and 30 June 2018, bank balances carried interest at prevailing market rates at 0.35% per annum.

At the end of each reporting period, bank balances and cash are the following amounts denominated in currencies other than the functional currencies of our group entities.

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	2018
			RMB
Hong Kong dollar	697,274	46,154	45,001
U.S. dollar	178,361	35,268	35,683
	<u>875,635</u>	<u>81,422</u>	<u>80,684</u>

Bank and other borrowings

Our interest-bearing bank and other borrowings constitute the largest proportion of the total liabilities as at 31 December 2016 and 2017 and 30 June 2018. As at 31 December 2016 and 2017 and 30 June 2018, our Group had bank and other borrowings of approximately RMB66.0 million, RMB29.9 million and RMB91.9 million, respectively, representing approximately 34.2%, 26.9% and 58.7% of our total liabilities as at the same dates, respectively.

FINANCIAL INFORMATION

Our bank and other borrowings consist primarily of bank loans and borrowings from Independent Third Parties. 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 30 June
	2016	2017	2018
	RMB	RMB	RMB
Fixed-rate borrowings			
Bank borrowings			
– Secured and guaranteed	25,152,593	15,048,429	24,439,480
– Secured and unguaranteed	<u>4,722,866</u>	<u>–</u>	<u>–</u>
	<u>29,875,459</u>	<u>15,048,429</u>	<u>24,439,480</u>
Other borrowings from independent third parties			
– Secured and unguaranteed	21,453,541	14,818,680	67,446,232
– Unsecured and unguaranteed	<u>14,720,000</u>	<u>–</u>	<u>–</u>
	<u>36,173,541</u>	<u>14,818,680</u>	<u>67,446,232</u>
	<u>66,049,000</u>	<u>29,867,109</u>	<u>91,885,712</u>

Our bank and other borrowings are incurred primarily to finance our finance leasing business. The balance of our bank and other borrowings decreased by approximately RMB36.1 million, or 54.7%, from approximately RMB66.0 million as at 31 December 2016 to approximately RMB29.9 million as at 31 December 2017. During the first half of 2018, we entered into new loans with banks and independent third parties in an aggregate amount of approximately RMB119.8 million, such balance increased by approximately RMB62.0 million, or 207.6%, to approximately RMB91.9 million as at 30 June 2018.

All of the facilities are subject to the fulfillment of covenants relating to our material assets and investments, 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.

Our Group regularly monitors our compliance with the covenants set out for these bank and other borrowing and ensures our repayment status is up to date with the scheduled repayments of the bank and other borrowings. 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 2016 and 2017 and 30 June 2018, none of the covenants relating to the drawn down facilities had been breached.

FINANCIAL INFORMATION

Our Group's bank and other borrowings are secured by our assets and/or guaranteed by the entities as follows:

- finance lease receivables with the carrying amount of approximately RMB122.9 million, RMB81.7 million and RMB204.0 million as at 31 December 2016 and 2017 and 30 June 2018, respectively;
- security deposits with the carrying amount of approximately RMB21.1 million, nil and RMB0.4 million as at 31 December 2016 and 2017 and 30 June 2018, respectively; and
- as at 31 December 2016 and 2017 and 30 June 2018, our Group's secured bank borrowings of approximately RMB25.2 million, RMB15.0 million and RMB24.4 million, were guaranteed by an Independent Third Party, of which approximately RMB25.2 million, RMB15.0 million and nil was also under joint and several liability guaranteed by Mr. Chau David.

The ranges of effective interest rates per annum of our bank and other borrowings are as follows:

	As at 31 December		As at 30 June
	2016	2017	2018
	RMB	RMB	RMB
Effective interest rate for fixed rate borrowing (per annum)	6.0%~ 15.6%	4.35%~ 19.29%	5.73%~ 19.29%

Other borrowings represent the borrowings from Independent Third Parties with the balance secured by our finance lease receivables of approximately RMB21.5 million, RMB14.8 million and RMB67.4 million as at 31 December 2016 and 2017 and 30 June 2018.

As at 31 December 2016 and 2017 and 30 June 2018, our total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	As at 31 December		As at 30 June
	2016	2017	2018
	RMB	RMB	RMB
Within one year	51,000,571	29,867,109	76,535,833
More than one year, but not exceeding two years	15,048,429	—	15,349,879
	<u>66,049,000</u>	<u>29,867,109</u>	<u>91,885,712</u>

FINANCIAL INFORMATION

During the six months ended 30 June 2018, we obtained a loan of RMB15.0 million from a small loan financing company and a sum of approximately RMB75.4 million from a fund in consideration for the transfer of our finance lease receivables of approximately RMB89.7 million to it. The principal assets of the fund are the abovementioned finance lease receivables which, upon collection, would be used to provide the designated return to the investors of such fund. Furthermore, we obtained two loans totalling approximately RMB29.4 million from two banks.

Other payables and accruals

Our other payables and accruals amounted to approximately RMB38.8 million, RMB22.9 million and RMB14.0 million as at 31 December 2016 and 2017 and 30 June 2018, respectively, representing approximately 20.1%, 20.6% and 8.9% of our total liabilities as at the same dates, respectively. Other payables and accruals primarily include accruals, listing costs payables, other payables and other tax payables.

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	RMB
Other payables (<i>Note a</i>)	27,406,164	10,536,743	7,101,594
Contract liability (<i>Note b</i>)	773,874	–	–
Listing costs payable	–	7,893,960	2,559,263
Accrued expenses (<i>Note c</i>)	1,863,633	3,056,715	2,855,152
Other tax payables	8,784,076	1,435,748	1,466,567
	<u>38,827,747</u>	<u>22,923,166</u>	<u>13,982,576</u>

Note a: Other payables mainly include (i) payables to finance lease equipment dealers of approximately RMB20.0 million, nil and nil as at 31 December 2016 and 2017 and 30 June 2018, respectively; (ii) security deposit received in respect of payments of insurance expenses on behalf of a customer of approximately RMB1.0 million, nil and nil as at 31 December 2016 and 2017 and 30 June 2018, respectively; and (iii) advanced payments received from finance lease customers in respect of certain finance lease arrangement conducted by our Group of approximately RMB5.6 million, RMB7.4 million and RMB5.6 million as at 31 December 2016 and 2017 and 30 June 2018, respectively.

Note b: The contract liability of approximately RMB0.8 million as at 31 December 2016 represents the contract balance pertaining to the unsatisfied performance of the arrangement fee income in respect of our Group's arrangement of machinery and equipment finance leasing services which was recognised over time as income.

Note c: As at 31 December 2016 and 2017 and 30 June 2018, accrued expenses mainly included payroll payables of approximately RMB1.6 million, RMB2.7 million and RMB2.3 million, respectively, and interest payables of approximately RMB0.3 million, RMB0.4 million and RMB0.5 million, respectively.

FINANCIAL INFORMATION

Our other payables and accruals amounting to approximately RMB38.8 million, RMB22.9 million and RMB14.0 million as at 31 December 2016 and 2017 and 30 June 2018 and representing approximately 20.1%, 20.6% and 8.9% of our total liabilities as at the same dates, respectively. The balance of other payables and accruals decreased from approximately RMB38.8 million as at 31 December 2016 to approximately RMB22.9 million as at 31 December 2017 mainly attributable to the settlement of the deposit of a machinery and equipment finance lease as a result of reallocation of resources from machinery and equipment leasing to vehicle finance leasing in 2017. It further decreased to approximately RMB14.0 million as at 30 June 2018 mainly due to (i) the realisation of advanced payments received from finance lease customers and were recognised as revenue; and (ii) the settlement of listing costs payable recognised in 2017.

Deposits from finance lease customers

Our finance lease receivables are secured by the leased assets, deposits collected from our finance lease customers (if any). The deposit is calculated as a certain percentage of the net financing amount and will be refunded when the lessee has fully carried out all obligations under the finance leasing agreement. The deposit can also be used to settle the last few installments. As at 31 December 2016 and 2017 and 30 June 2018, the outstanding deposits from our finance lease customers were approximately RMB54.7 million, RMB47.8 million and RMB49.9 million, respectively. Our Group might require extra assurance, e.g. houses and vehicles. There was no contingent lease arrangement that needed to be recognised over the Track Record Period.

Set out below is an analysis for the amount of deposits received from finance lease customers for reporting purpose as:

	As at 31 December		As at
	2016	2017	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Non-current liabilities	40,218,829	25,782,956	25,908,757
Current liabilities	<u>14,474,564</u>	<u>21,989,595</u>	<u>24,022,958</u>
	<u>54,693,393</u>	<u>47,772,551</u>	<u>49,931,715</u>

The decrease in deposits from finance lease customers of approximately RMB6.9 million from approximately RMB54.7 million as at 31 December 2016 to approximately RMB47.8 million as at 31 December 2017 was mainly due to the decrease in the finance lease receivables as at 31 December 2017 when compared to that of 31 December 2016. It is increased to approximately RMB49.9 million as at 30 June 2018 due to the increase in the number of finance leases newly entered into for the six months ended 30 June 2018.

FINANCIAL INFORMATION

CONTRACTUAL COMMITMENTS

Operating lease commitments

As at 31 December 2016 and 2017 and 30 June 2018, our Group has commitments for minimum lease payments under non-cancellable operating leases and were payable as follows:

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	2018
			RMB
Within one year	1,653,270	1,433,311	741,437
In the second year	306,903	41,950	66,900
	<u>1,960,173</u>	<u>1,475,261</u>	<u>808,337</u>

Our Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to two years, with renewal options.

Capital commitments

As at 30 June 2018, our Group did not have any capital commitments.

INDEBTEDNESS

Our total indebtedness as at 31 December 2016 and 2017 and 30 June 2018 were approximately RMB92.2 million, RMB34.8 million and RMB91.9 million, respectively.

As at the close of business on 30 September 2018, being the latest practicable date for the purpose of this indebtedness statement, our Group had outstanding indebtedness totalling approximately RMB61.1 million as set out below:

	RMB
Bank borrowings	
– Secured and guaranteed (note 1)	19,565,680
Other borrowings from Independent Third Parties	
– Secured and unguaranteed (note 1)	<u>41,499,779</u>
	<u>61,065,459</u>

Note:

(1) The Group's bank and other borrowings are secured by certain of the Group's finance lease receivables.

FINANCIAL INFORMATION

As at the Latest Practicable Date, our Group had unutilised credit facilities in amount of RMB10,000,000 obtained from third party banks or financial institutions.

For further details, please refer to the paragraphs headed “Description of certain items of consolidated statements of financial position – Bank and other borrowings” and “Transactions with related parties – Amount due to related parties” in this section.

Contingent liabilities

As at the end of each reporting period during the Track Record Period and as at 30 September 2018, we did not have any significant contingent liabilities.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 September 2018, we did not have outstanding loans, debt securities outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, debt securities, mortgages, charges, finance leases or hire purchases commitments, capital commitments, guarantees or other contingent liabilities. Our Directors confirm that, other than as disclosed in this prospectus, there has not been any material adverse change in our indebtedness since 30 September 2018, 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

Transactions with related parties

We transacted with Xin You in respect of machinery and equipment finance leasing during the Track Record Period. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, we recognised finance lease revenue of approximately RMB0.1 million, RMB0.4 million and RMB0.3 million, respectively, from our machinery and equipment finance leases with Xin You. As at 31 December 2016 and 2017 and 30 June 2018, the carrying amount of finance lease receivables arising from the finance lease business with Xin You is approximately RMB3.1 million, RMB9.1 million and RMB7.9 million, respectively. No deposits had been received from Xin You by our Group in respect of these finance lease agreements.

FINANCIAL INFORMATION

Also, we leased certain office premises in Shanghai from Mr. Chow Chuen Chung during the Track Record Period. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, we recognised rental expenses of approximately RMB1.1 million, RMB1.2 million and RMB0.6 million, respectively, which was payable to Mr. Chow Chuen Chung regarding the tenancy of the premises situated at Units 7002, 7003A, 7004, 7005A-1, No. 887, Huai Hai Zhong Road, Shanghai, PRC (中國上海市淮海中路887號7002, 7003A, 7004, 7005A-1).

Loans to related parties

The loans to Mr. Chau David, Kailan and Xin You were approximately RMB21.0 million, RMB1.9 million and RMB14.3 million, respectively, as at 31 December 2016 and nil, nil and RMB10.0 million, respectively, as at 31 December 2017 and nil, nil and RMB10.0 million, respectively, as at 30 June 2018. The loan to Xin You of approximately RMB10.0 million had been fully settled prior to the date of this prospectus.

Amount due to related parties

At the end of each reporting period, the amounts due to related parties are set out as below:

	As at 31 December		As at
	2016	2017	30 June
	RMB	RMB	RMB
Mr. Chow Chuen Chung	62,179	58,107	58,606
Ms. Chau On	21,472,000	—	—
Mr. Chau David	—	4,903,891	—
Xin You	4,600,000	—	—
	<u>26,134,179</u>	<u>4,961,998</u>	<u>58,606</u>

In order to facilitate the settlement of our Group's outstanding receivable and payable balances with related parties, our Group entered into several current account offsetting agreements between Mr. Chau David, Kailan, Xin You and Ms. Chau On during the year ended 31 December 2017, pursuant to which the related loans receivable from Mr. Chau David of approximately RMB25.2 million, Ms. Chau On of approximately RMB0.6 million and Kailan of approximately RMB2.0 million, totalling approximately RMB27.7 million, and the amounts due to related parties payable to Ms. Chau On of approximately RMB20.1 million, Mr. Chau David of approximately RMB2.6 million and Xin You of approximately RMB5.0 million, totalling approximately RMB27.7 million, had been offset during the year ended 31 December 2017 as agreed among all related parties.

For more details about our related party transactions, please refer to Notes 16 and 32 to the Accountants' Report in Appendix I to this prospectus and the section headed "Connected transactions" in this prospectus.

FINANCIAL INFORMATION

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		Six months ended 30 June	
	2016	2017	2017	2018
Net profit margin (before tax) ⁽¹⁾	19.9%	13.8%	N/A ⁽⁷⁾	14.3%
Net profit margin ⁽²⁾	14.8%	10.2%	N/A ⁽⁷⁾	10.6%
Return on equity ⁽³⁾	4.0%	3.0%	N/A ⁽⁷⁾	N/A ⁽⁸⁾
Return on total assets ⁽⁴⁾	1.8%	1.8%	N/A ⁽⁷⁾	N/A ⁽⁸⁾
	As at 31 December		As at 30 June	
	2016	2017	2017	2018
Current ratio ⁽⁵⁾	2.0	2.4		2.0
Gearing ratio ⁽⁶⁾	56.6%	20.7%		54.0%

Notes:

1. Net profit margin (before tax) is calculated based on the profit before tax for the respective period divided by revenue for the respective period.
2. Net profit margin is calculated based on the profit after tax for the respective period divided by revenue for the respective period.
3. Return on equity is calculated based on the profit after tax for the respective period divided by the total equity as at the respective dates.
4. Return on total assets is calculated based on the profit after tax for the respective period divided by the total assets as at the respective dates.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective dates.
6. Gearing ratio is calculated based on the total debt (which includes bank and other borrowings and amounts due to related parties) divided by total equity as at the respective dates.
7. Such ratios are not meaningful and potentially misleading as the Group record loss before tax and loss after tax for the six months ended 30 June 2017.
8. Such ratios for the six months ended 30 June 2018 are not meaningful and potentially misleading as the underlying income statement ratios do not reflect a full year of results of operations.

FINANCIAL INFORMATION

Net profit margin (before tax)

Our net profit margin was 19.9% and 13.8% for the years ended 31 December 2016 and 2017, respectively. The decrease in net profit margin was mainly attributable to (i) the increase of the listing expenses by approximately RMB11.4 million; (ii) the increase of finance cost by approximately RMB1.8 million, and is partially offset by (i) the decrease in recognition of impairment losses on net finance lease receivables by approximately RMB6.6 million from the recognition of impairment losses of approximately RMB5.5 million for the year ended 31 December 2016 to the reversal of impairment losses of approximately RMB1.1 million for the year ended 31 December 2017; and (ii) the increase in revenue by approximately RMB5.6 million.

Our net profit margin was nil and 14.3% for the six months ended 30 June 2017 and 2018, respectively. The increase in net profit margin was mainly attributable to (i) the decrease in listing expenses by approximately RMB3.8 million; and (ii) the decrease in staff cost by approximately RMB2.2 million, and is partially netted off by the decreases in other income by approximately RMB4.7 million.

Return on equity

Our return on equity was 4.0% and 3.0% for the years ended 31 December 2016 and 2017, respectively. The decrease in the return on equity was primarily due to the decrease in net profit of our Group.

Return on total assets

Our return on total assets remained stable at 1.8% for both of the years ended 31 December 2016 and 2017.

Current ratio

Our current ratio was 2.0, 2.4 and 2.0 as at 31 December 2016 and 2017 and 30 June 2018, respectively. The improvement of current ratio from 31 December 2016 to 31 December 2017 was mainly due to the percentage decrease of our current liabilities as at 31 December 2017 from that as at 31 December 2016 being greater than the percentage decrease of our current assets as at 31 December 2017 from that as at 31 December 2016. The decrease in total current assets is primarily attributable to (i) the decrease in loans to related parties as a result of repayment of loans during the year ended 31 December 2017; and (ii) the decrease in security deposits, bank balances and cash as a result of settlement of our indebtedness during the year ended 31 December 2017. The decrease in current liabilities is primarily attributable to (i) the decrease in bank and other borrowings and amounts due to related parties as a result of settlement of our indebtedness during the year ended 31 December 2017; and (ii) the decrease in other payables and accrued expenses as a result of settlement of payables to finance lease equipment dealers and the repayment of security deposit received on behalf of a customer during the year ended 31 December 2017. During the six months ended 30 June 2018, the drop

FINANCIAL INFORMATION

in our current ratio was due to the percentage increase in current liabilities as at 30 June 2018 from that as at 31 December 2017 being greater than the percentage increase in current assets as at 30 June 2018 from that as at 31 December 2017. The increase in current liabilities is primarily attributable to the increase in bank and other borrowings from approximately RMB29.9 million as at 31 December 2017 to approximately RMB76.5 million as at 30 June 2018 which is partially netted off by the decrease of other payables and accrued expenses from approximately RMB22.9 million as at 31 December 2017 to approximately RMB14.0 million as at 30 June 2018. The increase in total current assets is primarily attributable to (i) the increase in finance lease receivables from approximately RMB183.5 million as at 31 December 2017 to approximately RMB199.2 million as at 30 June 2018; and (ii) the increase in security deposits, bank balances and cash from approximately RMB4.2 million as at 31 December 2017 to approximately RMB14.1 million as at 30 June 2018.

Gearing ratio

Our gearing ratio was 56.6%, 20.7% and 54.0% as at 31 December 2016 and 2017 and 30 June 2018, respectively. The decrease in our gearing ratio from 31 December 2016 to 31 December 2017 was mainly due to the substantial decrease in (i) bank and other borrowings; and (ii) amounts due to related parties. During the six months ended 30 June 2018, the increase in gearing ratio was due to the substantial increase in bank and other borrowings.

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

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

Our Group's credit risk is primarily attributable to its finance lease receivables, loans to related parties, security deposit, other receivables and bank balances.

The credit risk on liquid funds (i.e. security deposits and bank balances) is minimal as such amounts are placed in banks with good reputation.

In order to minimise the credit risk of loans to related parties and other receivables, our Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced.

FINANCIAL INFORMATION

In relation to finance lease receivables, our Group implemented standardised management procedures over the processes of potential customers selection, the potential customer's due diligence and application, potential customer's credit review and approval, finance lease disbursement, post-lending monitoring, management of overdue finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the management of our Group is able to timely and effectively identify, monitor and manage our potential credit risks.

Changes in the economic environment will have an impact on our Group's finance lease business, and the adverse effects will increase the possibility of losses incurred by our Group. Our Group's current major business operations are in the PRC, but the differences of economic development in different regions require our Group to closely manage the relevant credit risks. The business operation department, credit assessment department, legal department, operation management committee, risk management director, finance department and assets management department in charge of different industries and regions are responsible for the management of the credit risks, and periodically report on the quality of assets to the management of our Group. Our Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

(1) Risk limit management and mitigation measures

Our Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

Our Group manages customer limits to optimise the credit risk structure. Our Group performs due diligence and credit assessment of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

(2) Other specific management and mitigation measures include:

(a) Guarantee and collateral

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

FINANCIAL INFORMATION

According to the characteristics of the financial lease, our Group has the ownership of the asset under the financial lease during the lease term. The Property Law of the People's Republic of China (the "**Property Law**") stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects our Group's effective rights. In the event of default, our Group is entitled to retrieve the asset.

In addition, our Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the financial lease. The management of our Group evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the financial lease

For financial lease, the ownership of the financial lease asset belongs to our Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accident occurs to the asset, the lessee should immediately report to the insurance company and notify our Group, provide accident report with relevant documents and settle claims to the insurance company.

Our Group's concentration of credit risk on the finance lease receivables as at 31 December 2016 and 2017 and 30 June 2018 included five major customers accounting for approximately 20.1%, 24.1% and 23.9% of the total balance of finance lease receivables, respectively. Our Group has closely monitored the recoverability of the advances to these customers and taken effective measures to ensure timely collection of outstanding balances.

Our Group has closely monitored the business performance of these customers and other than the above, our Group does not have significant concentration of credit risk.

After the adoption of the IFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, our Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, our Group will measure the loss allowance based on lifetime rather than 12m ECL.

FINANCIAL INFORMATION

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

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. Our Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. Our Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

Our Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in our assessment of significant increase of credit risk as well as in our measurement of ECL.

The following table shows our Group's credit risk grading framework:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (referred to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (referred to as Stage 2)	Lifetime ECL – not credit impaired

FINANCIAL INFORMATION

Category	Description	Basis for recognising ECL
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (referred to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and our Group has no realistic prospect of recovery	Amount is written off

Finance lease receivables

For finance lease receivables, our Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of finance lease receivables is at Stage 1 of which the loss allowance is measured at 12m ECL.

The following table details the risk profile of finance lease receivables.

As at 30 June 2018

	Stage 1 Collective provision Lifetime ECL not credit- impaired 12m ECL	Stage 2 Collective provision Lifetime ECL not credit- impaired	Stage 3 Individual provision Lifetime ECL credit- impaired	Total
Total gross carrying amount (<i>RMB</i>)	274,995,223	9,322,222	9,325,428	293,642,873
Expected credit loss rate	0.18%	11.24%	30.39%	1.49%
Total ECL (<i>RMB</i>)	508,539	1,047,483	2,834,354	4,390,376
Including:				
12m ECL (<i>RMB</i>)	508,539	–	–	508,539
Lifetime ECL (<i>RMB</i>)	–	1,047,483	2,834,354	3,881,837
	508,539	1,047,483	2,834,354	4,390,376

FINANCIAL INFORMATION

Deposits and other receivables, and loans to related parties

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

Bank balances and cash

The expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation.

Liquidity risk

Our Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. 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.

Please refer to Note 29 of the Accountants' Report in Appendix I 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 refers to the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates.

Our Group's exposure to cash flow interest rate risk relates primarily to our Group's bank balances, while that of fair value interest rate risk relates primarily to our Group's finance lease receivables, loans to related parties, bank and other borrowings, amounts due to related parties, deposits from finance lease customers and other financial liabilities.

Our management closely monitors the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the PBOC are the major sources of our Group's cash flow interest rate risk. No sensitivity analysis on interest rate risk is presented as the management of our Group considered that there would not be a significant change of prevailing interest rate and the exposure of interest rate risk of our Group is insignificant.

FINANCIAL INFORMATION

Currency risk

Our Group's exposure to foreign currency risk arises solely from bank balances and cash, amounts due to related parties and other payables. Our Group currently does not have a foreign exchange hedging policy. However, the management of our Group monitors foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

Fair value risk

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties. Our Directors considered that 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

Save as disclosed below, 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:

1. In 2016 and 2018, we entered into finance leases with a corporate customer ("**Customer A**"), which is an Independent Third Party, in respect of sale and leaseback of vehicles. The aggregate net financing amount under such finance leases was approximately RMB32.4 million for the year ended 31 December 2016 and approximately RMB1.7 million since 1 January 2018 and up to the Latest Practicable Date. The total contract yield of such finance leases was approximately 9.3% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 30.1 months and Customer A would make monthly repayment to us. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer A exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.
2. In 2017 and 2018, we entered into finance leases with a corporate customer ("**Customer B**"), which is an Independent Third Party and an auto dealer, for inventory finance leasing of luxury cars. The aggregate net financing amount under such finance leases was approximately RMB37.0 million for the year ended 31 December 2017 and approximately RMB79.8 million since 1 January 2018 and up to the Latest Practicable Date. The total contract yield of such finance leases was approximately 5.0% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 6 months and Customer B would make monthly repayment to us. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer B exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

FINANCIAL INFORMATION

3. In 2017 and 2018, we entered into finance leases with a corporate customer (“**Customer C**”), which is an Independent Third Party and an auto dealer, for inventory finance leasing of luxury cars. The aggregate net financing amount under such finance leases was approximately RMB17.6 million for the year ended 31 December 2017 and approximately RMB12.3 million since 1 January 2018 and up to the Latest Practicable Date. The total contract yield of such finance leases was approximately 5.1% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 6.8 months and Customer C would make monthly repayment to us. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer C exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.
4. In 2017 and 2018, we entered into finance leases with a corporate customer (“**Customer D**”), which is an Independent Third Party, in respect of sale and leaseback of vehicles. The aggregate net financing amount under such finance leases was approximately RMB8.4 million for the year ended 31 December 2017 and approximately RMB16.4 million since 1 January 2018 and up to the Latest Practicable Date. The total contract yield of such finance leases was approximately 6.0% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 12.0 months and Customer D would make monthly repayment to us. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer D exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB32.0 million (assuming an Offer Price of HK\$0.45 per Offer Share (which is the mid-point of the Offer Price range)). As at 30 June 2018, we have incurred listing expenses of approximately RMB18.4 million for the Share Offer, of which approximately RMB13.9 million has been charged to our consolidated statements of comprehensive income and RMB4.5 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 additional listing expenses of approximately RMB13.7 million until completion of the Share Offer, of which approximately RMB5.1 million is expected to be charged to our consolidated statements of comprehensive income for the year ending 31 December 2018 and approximately RMB8.5 million is expected to be recognised as a deduction in equity directly. The listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

FINANCIAL INFORMATION

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 time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

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 30 June 2018, our Company did not have any distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owner of our Company which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2018. The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owner of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Share Offer been completed on 30 June 2018 or at any future dates.

FINANCIAL INFORMATION

It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owner of our Company as at 30 June 2018 as shown in the Accountants' Report of our Group as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to the owner of our Company as at 30 June 2018 <i>RMB</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>RMB</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owner of our Company as at 30 June 2018 <i>RMB</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owner of our Company as at 30 June 2018 per Share <i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$0.50 per Offer Share	167,569,236	65,126,714	232,695,950	0.29	0.35
Based on the Offer Price of HK\$0.45 per Offer Share	167,569,236	57,479,655	225,048,891	0.28	0.33
Based on the Offer Price of HK\$0.39 per Offer Share	167,569,236	48,303,184	215,872,420	0.27	0.32

Notes:

- (1) The consolidated net tangible assets of our Group attributable to owner of our Company as at 30 June 2018 is arrived at after deducting intangible assets of RMB2,573,457 from the audited consolidated net assets of RMB170,142,693 attributable to owner of the Company as at 30 June 2018 as extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the new Shares pursuant to the proposed Share Offer are based on 200,000,000 new Shares at the Offer Price of lower limit, mid point and higher limit of HK\$0.39, HK\$0.45 and HK\$0.50 per new Share, respectively, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 30 June 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as referred to in the sections headed "Resolutions in writing of our sole Shareholder passed on 23 November 2018" in Appendix IV to this prospectus or "Share Capital – General mandate given to the Directors to repurchase Shares" in this prospectus. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.00 to RMB0.84 with reference to the rate published by the People's Bank of China on 30 June 2018. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 per share is calculated based on 800,000,000 Shares in issue immediately following the completion of the proposed Share Offer and the Capitalisation Issue. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase shares as referred to in the paragraph headed “Resolutions in writing of our sole Shareholder passed on 23 November 2018” in Appendix IV to this prospectus or “Share Capital – General mandate given to the Directors to repurchase shares” in this prospectus.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owner of the Company per share is converted from RMB into Hong Kong dollars at the rate of RMB1.00 to HK\$1.19 on 30 June 2018 with reference to the rate published by the People’s Bank of China. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that 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 attributable to the owner of the Company as at 30 June 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 June 2018 (being the date to which the latest audited consolidated financial information of our Group were made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group. Furthermore, there has been no event since 30 June 2018 and up to the date of this prospectus which would materially and adversely affect the information shown in the Accountants’ Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the paragraph headed “Our strategies” under the section headed “Business” 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 Offer Price range stated in this prospectus 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.

	Offer Price of HK\$0.39 per Offer Share (low-end of Offer Price) (RMB million)	Offer Price of HK\$0.45 per Offer Share (mid-point of Offer Price) (RMB million)	Offer Price of HK\$0.50 per Offer Share (high-end of Offer Price) (RMB million)
Estimated net proceeds of the Share Offer	34.4	43.6	51.2

Assuming an Offer Price of HK\$0.45 per Offer Share (being the mid-point of the indicative Offer Price range), subject to prevailing market conditions, we intend to use the net proceeds of the Share Offer for the following purposes:

- approximately 95.0%, or RMB41.4 million, for expanding our capital base for our finance leasing operations;
- the remaining amount of approximately 5.0%, or RMB2.2 million, will be used to provide funding for our working capital and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 31 December 2020 for carrying out our business strategies are set out below, assuming the Offer Price is fixed at mid-point of the Offer Price range. The following implementation plans are formulated on the bases and assumptions set out in the paragraph headed “Bases and key assumptions” below 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 capital base for finance leasing operations

Upon Latest Practicable Date to 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	For the six months ending 31 December 2020	Total	Approximate % of net proceeds
	<i>RMB million</i>					
5.4	20.0	16.0	–	–	41.4	95.0

(b) Working capital and other general corporate purposes

Upon Latest Practicable Date to 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	For the six months ending 30 June 2020	For the six months ending 31 December 2020	Total	Approximate % of net proceeds
	<i>RMB million</i>					
1.0	1.2	–	–	–	2.2	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:

- (a) 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;

FUTURE PLANS AND USE OF PROCEEDS

- (b) there will be no significant changes in the interest rates or the currency exchange rates from those currently prevailing;
- (c) there will be no material changes in the bases or rates of taxation applicable to our Group;
- (d) the Share Offer will be completed in accordance with and as described in “Structure and conditions of the Share Offer”;
- (e) our Group will not be materially affected by the risk factors as set out under “Risk factors”; and
- (f) 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 and the Lead Manager. The Offer Shares are fully underwritten by the Underwriters. Further information about the Underwriters and the underwriting agreement is contained in the section headed “Underwriting” in this prospectus.

UNDERWRITING

THE UNDERWRITERS

Public Offer Underwriters

Emperor Securities Limited
Success Securities Limited

Placing Underwriters

Emperor Securities Limited
Success Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the Application Forms relating thereto, and our Company is also offering the Placing Shares for subscription by professional, institutional and other investors on and subject to the terms and conditions of the Placing, in each case at the Offer Price.

Subject to, among other conditions, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Underwriting Agreement, the Underwriters have agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer, and to subscribe or procure subscribers to subscribe for the Placing Shares on and subject to the terms and conditions of the Placing.

Grounds for termination

The Lead Manager (for itself and on behalf of the Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if certain events, including without limitation the following, shall occur prior to the Termination Time:

- (a) there has come to the notice of any of the Sole Sponsor, the Lead Manager and/or the Underwriters that:
 - (i) any statement contained in the Prospectus or the Application Forms relating thereto or the documents for the Share Offer was when such document was issued, or has become, untrue, incorrect or misleading in any material respect in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Underwriters) is material in the context of the Share Offer; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus or the issue of the documents for the Share Offer, constitute a material omission therefrom in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Underwriters); or
 - (iii) any of the representations, warranties and undertakings contained in the Underwriting Agreement is untrue or inaccurate in any respect which Emperor Securities (for itself and on behalf of the Underwriters) in its sole and absolute opinion considers to be material in the context of the Share Offer; or
 - (iv) any event, act or omission which gives or is reasonably likely to give rise to a liability of a material nature of any of the Company, the executive Directors and the Controlling Shareholders pursuant to the indemnities given under the Underwriting Agreement; or
 - (v) any of the obligations or undertakings expressed to be assumed by or imposed on any of the Company, the executive Directors and the Controlling Shareholders under the Underwriting Agreement has not been complied with or observed by any of them in any respect considered by Emperor Securities (for itself and on behalf of the Underwriters) in its sole and absolute opinion to be material; or
 - (vi) any information, matter or event which in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Underwriters) may lead to a material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group as a whole, or
- (b) there shall develop, occur, exist or come into effect:
- (i) any new law or regulation or any change in existing laws or regulations of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority of Cayman Islands, Hong Kong, the BVI, the PRC or any other jurisdiction relevant to any member of the Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs) in local, national, or international financial, political, military, industrial, fiscal or economic conditions or prospects in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iii) any change in the conditions of the local, national or international securities markets (or in conditions affecting a sector only of such market) in or affecting any Relevant Jurisdiction including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (v) a change or development involving a prospective change in taxation or exchange control (or the implementation of exchange control) in or affecting any Relevant Jurisdiction; or
- (vi) any event, or series of events including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, interruption or delay in transportation, economic sanctions, public disorder, riot and epidemic in or affecting any Relevant Jurisdiction; or
- (vii) any litigation or claim brought by any third party against any member of the Group which will result in the Group incurring liability that is material to the Group as a whole; or
- (viii) the imposition of economic sanctions relating to the business of the Group, in whatever form, directly or indirectly, by Hong Kong or any other Relevant Jurisdiction; or
- (ix) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters in 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;

which in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Underwriters):

- (1) is or will or could be reasonably expected to have a material adverse effect on the business, financial or other condition or prospects of the Group taken as a whole; or
- (2) has or will have or could be reasonably expected to have a material adverse effect on the success of the Share Offer or the level of interest under the Share Offer; or

UNDERWRITING

- (3) makes it inadvisable or inexpedient for the Share Offer to proceed.

For the above purpose, a material change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any material change of the value of Hong Kong or PRC currency (whether of an appreciative or depreciative nature) under such system shall be taken as an event resulting in a change in financial conditions.

UNDERTAKINGS

Undertakings pursuant to the Underwriting Agreement

Undertakings by our Controlling Shareholders

Each of the Covenantors jointly and severally undertakes to our Company, the Sole Sponsor, the Lead Manager and the Underwriters that, unless with the prior written consent of the Sole Sponsor and Emperor Securities (for itself and on behalf of the Underwriters) (which consent shall not be unreasonably withheld or delayed) and save for Shares issued pursuant to the Share Offer or the exercise of any options which may be granted under the Share Option Scheme:

- (a) he/it shall not, and shall procure that his/its close associates or companies controlled by him/it or nominees or trustees holding in trust for him/it shall not, unless in compliance with the requirements of the GEM Listing Rules, sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of) any of the Shares or securities of our Company owned by him/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Share Offer (the “**Relevant Securities**”) within twelve months from the Listing Date (the “**First Twelve-Month Period**”); and
- (b) he/it shall not, and shall procure that none of his/its close associates or companies controlled by him/it or nominees or trustees holding in trust for him/it shall, unless in compliance with the requirements of the GEM Listing Rules, within the further period of twelve months immediately after the expiry of the First Twelve-Month Period (the “**Second Twelve-Month Period**”) sell, transfer or otherwise, dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of) any of the Relevant Securities, if immediately following such sale, transfer or disposal, any Controlling Shareholders, either individually or taken together with other Controlling Shareholders, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

UNDERWRITING

Each of the Covenantors jointly and severally undertakes to our Company, the Sole Sponsor, the Lead Manager and the Underwriters that, during the First Twelve-Month Period and the Second Twelve-Month Period, he/it will:

- (a) when he/it pledges or charges any securities or interests in the Relevant Securities under Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company in writing of such pledges or charges together with the number of Shares and nature of interest so pledged or charged; and
- (b) when he/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 the Company will be sold, transferred or disposed of, immediately inform the Company in writing of such indications.

Our Company undertakes to the Sole Sponsor and Emperor Securities (for itself and on behalf of the Underwriters) to inform them as soon as it has received information in writing relating to the pledge or charge referred to the matters above from the Controlling Shareholders or any of them and will disclose such matters by way of public announcements in accordance with the GEM Listing Rules as soon as possible.

Undertakings by our Company

Our Company undertakes to and covenants with the Sole Sponsor, the Lead Manager and the Underwriters that, and each of the Controlling Shareholders and the executive Directors jointly and severally undertakes and covenants with the Sole Sponsor, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Sole Sponsor and Emperor Securities (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to any option which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Articles of Association, neither our Company nor any of its subsidiaries shall:

- (a) allot and issue or agree to allot and issue any shares in our Company or any subsidiary of our Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of our Company or any subsidiary of our Company during the period of six months from the Listing Date (“**First Six-Month Period**”); or
- (b) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a) above during the six months immediately from the expiry of the First Six-Month Period (“**Second Six-Month Period**”) if, immediately following such allotment and issue, any Controlling Shareholder, either individually or taken together with other Controlling Shareholder(s), would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company; or

UNDERWRITING

- (c) during the First Six-Month Period purchase any Shares or securities of our Company.

Undertakings pursuant to 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 our Company and to the Stock Exchange that, save as provided in Rule 13.18 of the GEM Listing Rules and pursuant to the Share Offer, he/it shall not and shall procure that the relevant registered holder(s), his/its associates, companies controlled by him/it or his/its nominees or trustees holding our Shares in trust for him/it (as the case may be) shall not:

- (a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 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 Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (b) at any time during the 12 months commencing on the date on which the period referred to in sub-paragraph (a) 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 our Shares referred to in sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholder has also undertaken to and covenanted with our Company and the Stock Exchange that:

- (a) in the event that he/it pledges or charges any of his/its direct or indirect interest in our Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the 12 months after the Listing Date, he/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in our Shares or other securities of our Company under sub-paragraph (a) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of our Shares or other securities of our Company affected.

UNDERWRITING

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for any of the circumstances provided under Rules 17.29(1) to (5) of the GEM Listing Rules.

Commission and expenses

The Underwriter will receive an underwriting commission of 9% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and other fees. The underwriting commission is payable by our Company.

The underwriting commission payable to the Underwriter in relation to the Share Offer (assuming an Offer Price of HK\$0.45 per Offer Share (which is the mid-point of the Offer Price range)) will be approximately HK\$8.1 million in aggregate and are payable by our Company.

The aggregate underwriting commission and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Share Offer payable by the Company are estimated to be approximately HK\$32.0 million (assuming an Offer Price of HK\$0.45 per Offer Share (which is the mid-point of the Offer Price range)).

Underwriters' interests in our Company

Save for its interests and obligations under the Underwriting Agreement and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Sole Sponsor's interest in our Company

Octal Capital Limited, being the Sole Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Octal Capital Limited as the Sole Sponsor to the Listing, its interests and obligations under the Underwriting Agreement and a compliance adviser's agreement made between Octal Capital Limited and our Company, neither Octal Capital Limited nor any of its associates has

UNDERWRITING

or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Octal Capital Limited who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Octal Capital Limited has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of an aggregate of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 180,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue. The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager (for itself and on behalf of the Underwriters)) and the Underwriting Agreement not being terminated in accordance with their respective terms,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.metropolis-leasing.com** on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraphs headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share 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 the Public Offer Shares validly applied for by applicants. Allocation of the 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 the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. In particular, the Offer Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules that no more than 50% of our Shares in public hands at the time of Listing will be owned by three largest public Shareholders.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of the Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 11 December 2018 through a variety of channels as described in paragraph headed "Publication of results" in the section headed "How to apply for Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, Emperor Securities has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as Emperor Securities deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Public Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Public Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Public Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Public Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Public Offer Shares available under the Public Offer will be increased to 60,000,000 Public Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Public Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Public Offer Shares available under the Public Offer will be increased to 80,000,000 Public Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Public Offer Shares initially available for subscription under the Public Offer, then 80,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Public Offer Shares available under the Public Offer will be increased to 100,000,000 Public Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreement; and
 - (ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Public Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Public Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, Emperor Securities may in its sole and absolute discretion reallocate Offer Shares of the Placing 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 Emperor Securities.

THE PLACING

Number of the 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 180,000,000 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 our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Share Offer being unconditional.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of Offer Shares pursuant to the Placing will be based on a number of factors, including the level and timing of demand, the 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 Offer Shares and/or hold or sell its Offer Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Emperor Securities may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to Emperor Securities so as to allow it to identify the relevant applications under the Public Offer and to ensure that he/she/it is excluded from any application of Offer Shares under the Public Offer.

PRICING AND ALLOCATION

Determination of the Offer Price

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 the 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 around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 5 December 2018, by agreement between Emperor Securities (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.50 per Offer Share and is expected to be not less than HK\$0.39 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Change to Offer Price range

Emperor Securities (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a book-building process in respect of the Placing, and with the consent of the Company, change the indicative Offer Price range stated 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 change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.metropolis-leasing.com** notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or 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. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by Emperor Securities (for itself and on behalf of the Underwriters) and the Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.50 for each Public Offer Share (plus the brokerage fee, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$4,040.31 per board lot of 8,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.50 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, the Company and Emperor Securities (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, 6 December 2018, the Share Offer will not proceed and will lapse immediately.

Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public 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.metropolis-leasing.com on Tuesday, 11 December 2018.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Wednesday, 12 December 2018. The Shares will be traded in board lots of 8,000 Shares each. The GEM stock code for the Shares is 8621.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the 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 the Stock Exchange or, under contingent situation, 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 necessary arrangements have been made for the 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. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form; or
- (b) apply online via **HK eIPO White Form** service at **www.hkeipo.hk**; or
- (c) 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. Our Company, the Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in the relevant securities laws and regulations of the United States); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) 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 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 or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Lead Manager or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Offer Shares.

HOW TO APPLY FOR 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 and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate or a close 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 participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For 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 Friday, 30 November 2018 until 12:00 noon on Wednesday, 5 December 2018 from:

- (a) any of the following address of the Underwriters:

Emperor Securities Limited
23/F-24/F, Emperor Group Centre
288 Hennessy Road
Wanchai, Hong Kong

Success Securities Limited
Suite 1603-7, 16/F
Great Eagle Centre
23 Harbour Road
Wan Chai, Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) or any of the following branches of Bank of China (Hong Kong) Limited, the receiving bank for the Public Offer:

	Branch	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
Kowloon	Yu Chau Street Branch	42-46 Yu Chau Street, Sham Shui Po
New Territories	Fo Tan Branch	No.2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 November 2018 until 12:00 noon on Wednesday, 5 December 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – METROPOLIS CAPITAL 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:

Friday, 30 November 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 1 December 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 3 December 2018 – 9:00 a.m. to 5:00 p.m.
Tuesday, 4 December 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 5 December 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 December 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Bookrunner and/or the Lead Manager (or their agents or nominees) as agents of our 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;
- agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance, the Memorandum and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- 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;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- 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 of the Placing Shares nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the 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;
- 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 our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, and the Underwriters nor any

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Form;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the applicable securities laws and regulations of the United States; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in applicable securities laws and regulations of the United States) or are a person described in applicable securities laws and regulations of the United States;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) into CCASS 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 the share certificate(s) and/or refund cheque(s) in person;
- 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 applying;
- understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and their respective agents and nominees 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;
- (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 to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 or to the **HK eIPO White Form** Service Provider; 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 details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply for the Public Offer Shares” in this section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted 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 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 authorise 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.

Time for submitting applications under the **HK eIPO White Form**

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 November 2018 until 11:30 a.m. on Wednesday, 5 December 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 December 2018 or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, 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 Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operation Procedures.

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 at <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 this address.

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 Lead Manager and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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:

- (i) 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;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted 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;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - (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;
 - (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 authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and their respective agents and nominees 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 if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangement separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or 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, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters and/or its respective advisers and agents;
- 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;
- 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 us 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 Public 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 (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- 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 our Company's announcement of the Share Offer results;
- 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 Public Offer Shares;
- agree with our Company, for itself 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 itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance, the Memorandum and the Articles; and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by 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 shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (b) 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 final Offer Price is less than the Offer Price per Offer Share 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
- (c) 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 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table or otherwise permitted in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 30 November 2018 – 9:00 a.m. to 8:30 p.m.
Monday, 3 December 2018 – 8:00 a.m. to 8:30 p.m.
Tuesday, 4 December 2018 – 8:00 a.m. to 8:30 p.m.
Wednesday, 5 December 2018 – 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 30 November 2018 until 12:00 noon on Wednesday, 5 December 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 December 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

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 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 shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **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 in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public 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. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 December 2018, 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.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the 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 **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:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form through **HK eIPO White Form** service in respect of a minimum of 8,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table or otherwise permitted in the Application Form or as otherwise specified on the designated website **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and 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).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 December 2018. 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the application lists do not open and close on Wednesday, 5 December 2018 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 the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 11 December 2018 on our Company’s website at **<http://www.metropolis-leasing.com>** and the website of the Stock Exchange at **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:

- (a) in the announcement to be posted on our website at **www.metropolis-leasing.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 11 December 2018;
- (b) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 11 December 2018 to 12:00 midnight on Monday, 17 December 2018;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 December 2018 to Friday, 14 December 2018; and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 11 December 2018 to Thursday, 13 December 2018 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which we 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 Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, 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 a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

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, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the Lead Manager, 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.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) 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;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreement does not become unconditional or is terminated;
- (vii) our Company or the Lead Manager believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 20,000,000 Public Offer Shares initially offered under the Public Offer.

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\$0.50 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and 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 Tuesday, 11 December 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one 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 share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR PUBLIC OFFER SHARES

No temporary document of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application for the Public Offer Shares. 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:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) 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 final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and 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).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 11 December 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 12 December 2018 provided that the Share Offer has become unconditional and the right of termination described in the paragraph headed “Grounds for termination” under the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) 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(s) and/or share certificate(s) from Hong Kong Branch 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 Tuesday, 11 December 2018 or such other date as notified by us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) 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(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 11 December 2018, by ordinary post and at your own risk.

(b) 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 for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 11 December 2018, 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 share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 11 December 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) 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.

(ii) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 December 2018 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch 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 Tuesday, 11 December 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your 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 at your own risk.

If you apply for less than 1,000,000 Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 11 December 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched 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 despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via electronic application instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public 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 share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your 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 Tuesday, 11 December 2018 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 number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer

HOW TO APPLY FOR PUBLIC OFFER SHARES

Shares in the manner specified in the paragraph headed “11. Publication of results” above on Tuesday, 11 December 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 December 2018 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 Public Offer Shares allotted 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 Public Offer Shares allotted 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 Tuesday, 11 December 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public 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 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 Tuesday, 11 December 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (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 the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF METROPOLIS CAPITAL HOLDINGS LIMITED AND OCTAL CAPITAL LIMITED****Introduction**

We report on the historical financial information of Metropolis Capital Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the consolidated statements of financial position of the Group as at 31 December 2016 and 2017 and 30 June 2018, the statement of financial position of the Company as at 31 December 2017 and 30 June 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 December 2016 and 2017 and six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016 and 2017 and 30 June 2018, of the Company's financial position as at 31 December 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board and consequently does not enable us to obtain assurance that we would become aware of all

significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company and entities now comprising the Group in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 November 2018

HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Group.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		Six months ended 30 June	
	Notes	2016	2017	2017	2018
		RMB	RMB	RMB	RMB
				(unaudited)	
Revenue	6	44,098,209	49,661,039	26,232,568	25,235,720
Other income	7a	10,820,019	7,116,719	5,212,821	535,632
Other gains and losses	7b	(746,460)	1,833,575	703,147	105,711
Staff costs		(12,274,877)	(12,235,533)	(7,242,813)	(5,050,833)
(Recognition) reversal of loss allowance on finance lease receivables, net	18	(5,514,165)	1,108,409	(3,484,068)	908,072
(Recognition) reversal of loss allowance on other financial assets measured at amortised cost		(115,114)	(427,242)	–	427,242
Other operating expenses		(10,869,251)	(10,429,404)	(6,223,838)	(5,139,062)
Listing expenses		–	(11,408,386)	(6,284,531)	(2,484,357)
Finance cost	8	(16,616,759)	(18,370,615)	(9,316,233)	(10,918,989)
Profit (loss) before tax	9	8,781,602	6,848,562	(402,947)	3,619,136
Income tax (expense) credit	10	(2,271,445)	(1,766,173)	64,986	(951,529)
Profit (loss) and total comprehensive income (expense) for the year/period		<u>6,510,157</u>	<u>5,082,389</u>	<u>(337,961)</u>	<u>2,667,607</u>
Earnings (loss) per share – Basic (RMB cents)	13	<u>1.09</u>	<u>0.85</u>	<u>(0.06)</u>	<u>0.44</u>

Statements of Financial Position

		The Group			The Company	
		As at 31 December 2016 RMB	2017 RMB	As at 30 June 2018 RMB	As at 31 December 2017 RMB	As at 30 June 2018 RMB
	Notes					
NON-CURRENT ASSETS						
Investment in a subsidiary	33	–	–	–	–	138,384,857
Property and equipment	14	1,634,566	1,258,509	1,058,338	–	–
Intangible assets	15	304,264	2,128,304	2,573,457	–	–
Finance lease receivables	18	78,806,457	68,734,096	90,065,159	–	–
Deferred tax assets	25	3,480,374	1,714,201	1,234,156	–	–
		<u>84,225,661</u>	<u>73,835,110</u>	<u>94,931,110</u>	<u>–</u>	<u>138,384,857</u>
CURRENT ASSETS						
Loans to related parties	16	37,134,826	10,000,000	10,000,000	–	–
Prepayments, deposits and other receivables	17	11,314,859	7,723,441	8,431,646	–	4,469,657
Finance lease receivables	18	195,406,422	183,505,651	199,187,338	–	–
Security deposits	20	21,100,000	–	383,502	–	–
Bank balances and cash	21	6,645,219	4,229,539	13,740,688	–	–
		<u>271,601,326</u>	<u>205,458,631</u>	<u>231,743,174</u>	<u>–</u>	<u>4,469,657</u>
CURRENT LIABILITIES						
Amounts due to related parties	16	26,134,179	4,961,998	58,606	–	6,954,014
Other payables and accrued expenses	22	38,827,747	22,923,166	13,982,576	–	–
Deposits from finance lease customers	18	14,474,564	21,989,595	24,022,958	–	–
Bank and other borrowings	23	51,000,571	29,867,109	76,535,833	–	–
Taxation		7,137,788	5,701,648	672,982	–	–
		<u>137,574,849</u>	<u>85,443,516</u>	<u>115,272,955</u>	<u>–</u>	<u>6,954,014</u>
NET CURRENT ASSETS (LIABILITIES)						
		<u>134,026,477</u>	<u>120,015,115</u>	<u>116,470,219</u>	<u>–</u>	<u>(2,484,357)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES						
		<u>218,252,138</u>	<u>193,850,225</u>	<u>211,401,329</u>	<u>–</u>	<u>135,900,500</u>
CAPITAL AND RESERVES						
Share capital	24	341,695	341,695	404	–	404
Reserves	33	162,643,185	167,725,574	170,142,289	–	135,900,096
TOTAL EQUITY						
		<u>162,984,880</u>	<u>168,067,269</u>	<u>170,142,693</u>	<u>–</u>	<u>135,900,500</u>
NON-CURRENT LIABILITIES						
Deposits from finance lease customers	18	40,218,829	25,782,956	25,908,757	–	–
Bank and other borrowings	23	15,048,429	–	15,349,879	–	–
		<u>55,267,258</u>	<u>25,782,956</u>	<u>41,258,636</u>	<u>–</u>	<u>–</u>
		<u>218,252,138</u>	<u>193,850,225</u>	<u>211,401,329</u>	<u>–</u>	<u>135,900,500</u>

Consolidated Statements of Changes in Equity

	Share capital <i>RMB</i>	Share premium <i>RMB</i>	Merger reserve <i>RMB</i>	Other reserves <i>RMB</i> (note (i))	Statutory surplus reserve <i>RMB</i> (note (ii))	Retained Profits <i>RMB</i>	Total equity <i>RMB</i>
At 1 January 2016	341,695	–	–	121,889,064	1,881,870	32,362,094	156,474,723
Profit and total comprehensive income for the year	–	–	–	–	–	6,510,157	6,510,157
Transferred to statutory surplus reserve	–	–	–	–	655,817	(655,817)	–
At 31 December 2016	341,695	–	–	121,889,064	2,537,687	38,216,434	162,984,880
Profit and total comprehensive income for the year	–	–	–	–	–	5,082,389	5,082,389
Transferred to statutory surplus reserve	–	–	–	–	520,208	(520,208)	–
At 31 December 2017	<u>341,695</u>	<u>–</u>	<u>–</u>	<u>121,889,064</u>	<u>3,057,895</u>	<u>42,778,615</u>	<u>168,067,269</u>
At 31 December 2017	341,695	–	–	121,889,064	3,057,895	42,778,615	168,067,269
Effect arising on adoption of IFRS 9 (note iii)	–	–	–	–	–	(592,183)	(592,183)
Adjusted balance at 1 January 2018	341,695	–	–	121,889,064	3,057,895	42,186,432	167,475,086
Profit and total comprehensive income for the period	–	–	–	–	–	2,667,607	2,667,607
Effect of Group Reorganisation (note iv)	(341,291)	138,384,453	(138,043,162)	–	–	–	–
At 30 June 2018	<u>404</u>	<u>138,384,453</u>	<u>(138,043,162)</u>	<u>121,889,064</u>	<u>3,057,895</u>	<u>44,854,039</u>	<u>170,142,693</u>
(Unaudited)							
At 1 January 2017	341,695	–	–	121,889,064	2,537,687	38,216,434	162,984,880
Loss and total comprehensive expense for the period	–	–	–	–	–	(337,961)	(337,961)
At 30 June 2017	<u>341,695</u>	<u>–</u>	<u>–</u>	<u>121,889,064</u>	<u>2,537,687</u>	<u>37,878,473</u>	<u>162,646,919</u>

Notes:

- (i) The other reserves as at 1 January 2016 represented the net effect of the following:
 - (a) the deemed capital contribution of shareholder's loans advanced from View Art (as defined in note 1) to the Group totalling RMB131,831,735, which were not required to repay to View Art pursuant to the agreements entered into on 31 December 2014; and
 - (b) net of the fair value adjustments on non-current interest-free loans previously advanced to Mr. Chau and related parties as deemed distribution in the total amount of RMB9,942,671.
- (ii) Pursuant to the articles of association of the subsidiaries established in the PRC, it is required to appropriate at least 10% of their profit after tax in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owner each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.
- (iii) Upon the adoption of IFRS 9 "Financial Instruments" on 1 January 2018, the cumulative impact of RMB592,183 was recorded as an adjustment to the retained profits as at 1 January 2018, which are all due to additional impairment loss on lease receivables made under the expected credit loss model under IFRS 9 and its corresponding deferred tax impact as at 1 January 2018. More details were set out in note 3.
- (iv) Upon the completion of the Group Reorganisation (as defined in note 1) on 8 March 2018, the Company acquired 100% equity interests in Metropolis Asia from View Art in consideration of issuance of 49,999 of its shares at HK\$0.01 each to View Art, totalling HK\$500 (equivalent to RMB404) credited as fully paid. The difference of the amount of the issued shares and share premium of the Company and the amount of the share capital of Metropolis Asia prior to the completion of the Group Reorganisation in the amount of RMB138,043,162, had been debited to merger reserve.

Consolidated statements of Cash flows

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
OPERATING ACTIVITIES				
Profit before tax	8,781,602	6,848,562	(402,947)	3,619,136
Adjustments for:				
Depreciation of property and equipment	553,890	526,711	298,396	212,325
Amortisation of intangible assets	297,630	297,630	148,815	3,317
Bank interest income	(49,947)	(54,091)	(19,169)	(31,046)
Other investment gain	(18,757)	(355,888)	(46,943)	(135,754)
Interest on bank and other borrowings	6,157,763	5,262,676	2,393,825	4,235,018
Imputed interest expense arising from deposits from finance lease customers	10,458,996	13,107,939	6,922,408	6,683,971
Recognition (reversal) of loss allowance on finance lease receivables, net	5,514,165	(1,108,409)	3,484,068	(908,072)
Recognition (reversal) of loss allowance on other financial assets measured at amortised cost	115,114	427,242	–	(427,242)
Imputed interest income	(3,186,898)	(827,539)	(827,539)	–
Exchange loss (gain), net	765,217	(1,477,687)	(656,204)	30,043
Operating cash flows before movements in working capital	29,388,775	22,647,146	11,294,710	13,281,696
(Increase) decrease in finance lease receivables	(110,507,441)	23,081,541	67,269,730	(36,894,255)
Decrease in notes receivables	50,000	–	–	–
(Increase) decrease in prepayments, deposits and other receivables	(6,446,105)	5,828,302	(4,834,995)	547,156
Increase in factoring receivables	–	–	(20,324,538)	–
Increase (decrease) in deposits from finance lease customers	16,203,662	(20,028,781)	(7,059,042)	(4,524,807)
Decrease in other payables and accrued expenses	(11,795,913)	(17,194,930)	(20,204,273)	(8,039,684)
Cash (used in) generated from operations	(83,107,022)	14,333,278	26,591,592	(35,629,894)
Income tax paid	(1,959,272)	(1,436,140)	(722,283)	(5,302,756)
Bank interest received	49,947	54,091	19,169	31,046
Interest paid	(6,065,750)	(5,178,739)	(2,442,766)	(4,077,333)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(91,082,097)	7,772,490	23,445,712	(44,978,937)

APPENDIX I**ACCOUNTANTS' REPORT**

	Year ended		Six months ended	
	31 December		30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
INVESTING ACTIVITIES				
Payments for property and equipment and intangible assets	(578,392)	(2,272,324)	(4,230)	(460,624)
Advance to related parties	(3,953,240)	(14,745,210)	(3,324,860)	–
Repayments from related parties	52,997,183	15,000,000	15,000,000	–
Purchase of unlisted short-term financial products (<i>note 7(iii)</i>)	(27,500,000)	(86,500,000)	(21,500,000)	(83,800,000)
Proceeds on disposal of unlisted short-term financial products	27,518,757	86,855,888	21,546,943	83,935,754
Withdrawal of security deposits	–	21,100,000	21,100,000	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>48,484,308</u>	<u>19,438,354</u>	<u>32,817,853</u>	<u>(324,870)</u>
FINANCING ACTIVITIES				
New bank and other borrowings raised	100,754,038	38,326,265	10,000,000	119,810,661
Repayments of bank and other borrowings	(88,823,945)	(74,508,156)	(52,955,702)	(57,792,058)
Advanced from related parties	25,363,889	8,012,149	2,225,792	4,558,107
Repayments for loan from a related party	(24,205)	–	–	(9,461,998)
Issue costs paid	–	(1,457,714)	(775,992)	(1,915,869)
Payment of security deposits as to obtain a bank borrowing	–	–	–	(383,502)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>37,269,777</u>	<u>(29,627,456)</u>	<u>(41,505,902)</u>	<u>54,815,341</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(5,328,012)</u>	<u>(2,416,612)</u>	<u>14,757,663</u>	<u>9,511,534</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	<u>11,968,158</u>	<u>6,645,219</u>	<u>6,645,219</u>	<u>4,229,539</u>
EFFECT OF EXCHANGE RATE CHANGE	<u>5,073</u>	<u>932</u>	<u>254</u>	<u>(385)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u><u>6,645,219</u></u>	<u><u>4,229,539</u></u>	<u><u>21,403,136</u></u>	<u><u>13,740,688</u></u>

NOTES TO HISTORICAL FINANCIAL INFORMATION**1. CORPORATE INFORMATION**

Metropolis Capital Holdings Limited (the “Company”), which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 29 June 2017. The addresses of the registered office and principal place of business are stated in the “Corporate Information” section of the Prospectus.

Pursuant to a group reorganisation, as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Group Reorganisation”), the Company became the holding company of the entities now comprising the Group on 8 March 2018. The principal activities of the Group are provision of finance lease services, factoring and other services in the PRC.

The immediate and ultimate holding company of the Company is View Art Investment Limited (“View Art”), a limited liability company incorporated in the British Virgin Islands on 28 September 2007 which is 100% held and controlled by Mr. Chau David (“Mr. Chau” or the “Controlling Shareholder”).

The Historical Financial Information is presented in Renminbi (“RMB”), which is the same as the function currency of the Group.

2. GROUP REORGANISATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRS.

In preparation for the listing of the Company’s shares on GEM of the Stock Exchange (“Listing”), the Group underwent a group restructuring which involved the setting up of the Company on 29 June 2017 and interspersing the Company between View Art and Metropolis Asia. The Group Reorganisation was completed on 8 March 2018. The Group resulting from the Group Reorganisation is to be regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group and the group structure upon completion of the Group Reorganisation had been in existence throughout the Track Record Period. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of companies within the Group as if the Company had always been the holding company of the Group and the group structure upon completion of the Group Reorganisation had been in existence throughout the Track Record Period, or since the respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the group structure upon completion of the Group Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**Application of new and revised IFRSs**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has applied the accounting policies which conform with the IFRSs effective for the accounting period beginning on 1 January 2018, including IFRS 15 “*Revenue from Contracts with Customers*” and the related Amendments, consistently throughout the Track Record Period, except that the Group adopted IFRS 9 “*Financial Instruments*” on 1 January 2018. The accounting policies for financial instruments under IFRS 9 are set out in note 4 below.

IFRS 9 Financial Instruments*Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments*

In the six months ended 30 June 2018, the Group has applied IFRS 9 Financial Instruments, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets, lease receivables and other items subject to ECL assessment, and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits as at 1 January 2018, without restating the financial information for the years ended 31 December 2016 and 2017.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application on 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 RMB	Additional loss allowance recognised under IFRS 9 and the respective deferred tax impact ^(note) RMB	New carrying amount under IFRS 9 RMB
1. Finance lease receivables	Loans and receivables	Financial assets at amortised cost	252,239,747	(789,577)	251,450,170
2. Bank balances and cash	Loans and receivables	Financial assets at amortised cost	4,229,539	–	4,229,539
3. Loans to related parties	Loans and receivables	Financial assets at amortised cost	10,000,000	–	10,000,000
4. Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	1,525,090	–	1,525,090
5. Deposits from finance lease customers	Financial liabilities at amortised cost	Financial liabilities at amortised cost	47,772,551	–	47,772,551
6. Bank and other borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	29,867,109	–	29,867,109
7. Amounts due to related parties	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,961,998	–	4,961,998
8. Listing costs payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	7,893,960	–	7,893,960
9. Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	10,536,743	–	10,536,743
				(789,577)	
Recognition of deferred tax assets				197,394	
Total				(592,183)	

note: The Group applies the IFRS 9 general approach to measure ECL on finance lease receivables. For deposits and other receivables and loans to related parties, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECL, since there has not been a significant increase in credit risk since initial recognition for deposits and other receivables and loans to related parties. The expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation. As at 1 January 2018, the additional credit loss allowance of RMB789,577, together with the recognition of the corresponding deferred tax assets of RMB197,394, totalling RMB592,183 has been recognised against retained profits as at 1 January 2018. The additional loss allowance is charged against the respective asset.

The additional impairment loss allowance upon the initial allocation of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset and lease receivables.

No loss allowances were recognised for bank balances and cash and loans to related parties as at 31 December 2017 and 1 January 2018, respectively. All loss allowances for finance lease receivables and deposits and other receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Finance lease receivables <i>RMB</i>	Deposits and other receivables <i>RMB</i>
At 31 December 2017 – IAS 39	4,508,871	427,242
Amounts remeasured through opening retained profits	789,577	–
At 1 January 2018	<u>5,298,448</u>	<u>427,242</u>

There were no financial liabilities which the Group had previously designated as at fair value through profit or loss (FVTPL) or measured at amortised cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

New and amendments to IFRSs issued but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycles ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, cash flows in relation to operating lease payments are currently presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB808,337 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases, and such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant change to the consolidated net asset value and financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of RMB272,866 as disclosed in note 17 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group’s financial position and financial performance in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 “*Leases*”, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 “*Impairment of assets*”.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue recognition

Finance lease income (including direct finance leasing and sales and leaseback transactions) is recognised over the period of lease. In a direct finance lease arrangement, revenue is recognised over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance leases. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method (see accounting policy in respect of leasing below).

Factoring income is recognised as revenue in each period according to the effective interest rate method during the terms of the contract.

Arrangement fee income regarding the commission earned in respect of the Group's arrangement of machinery and equipment finance leasing services is recognised over time (i.e., over the period of finance lease), because the customer simultaneously receives and consumes benefit provided by the Group's performance as the Group performs.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property and equipment

Property and equipment held for use in the production or supply of services, or for administrative purposes, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets***Intangible assets acquired separately***

Intangible assets, including computer software, trademark and website development cost, with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset, including vehicle licenses, with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefit costs

Payments to government-managed retirement benefit schemes are recognised as an expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit (loss) before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recognised 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 lease 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 asset are consumed.

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans to related parties, deposits and other receivables, security deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease and other receivables, where the carrying amount is reduced through the use of an allowance account. When a finance lease or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities of the Group (including deposits from finance lease customers, bank and other borrowings, amounts due to related parties, listing costs payables and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may irrevocably designate a debt investment that meets the amortised cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “*other gains and losses*”.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset,

except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the period ended 30 June 2018, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

Impairment of financial assets and lease receivables

The Group recognises a loss allowance for ECL on lease receivables and financial assets which are subject to impairment under IFRS 9, including loans to related parties, deposits and other receivables, security deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

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

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IAS 17 *Leases*.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

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

- Nature of financial instruments (i.e. the Group's deposit, other receivables and finance lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and finance lease receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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

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

Financial liabilities and equity instruments***Classification as debt or equity***

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

Equity instruments

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**Critical judgement in applying accounting policies**

The following is the critical judgement in applying accounting policies that the directors of the Company have made in the process of applying IFRS 15 "*Revenue from Contracts with Customers*" and that has the most significant effect on the amounts recognised in the Historical Financial Information.

Judgements in determining the timing of satisfaction of performance obligations

Note 6 describes the arrangement fee income relating to the machinery and equipment finance leasing. The recognition of this income requires judgements by the directors of the Company in determining the timing of satisfaction of performance obligations.

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

The directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performance as the Group performs. The Group is required to provide the necessary services to the customers over the lease period of the finance lease. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the arrangement fee income is satisfied over time and have recognised such income over the period of finance lease.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Impairment of finance lease receivables

The Group reviews its finance lease receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivable are set out in note 18.

Before the adoption of IFRS 9, management estimates the amount of loss allowance under incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortized cost based on the credit risk of the finance lease receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables. The assessment of the credit risk of the finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

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

Significant increase of credit risk

As explained in note 4, ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 4 for more details.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL, for example gross domestic product ("GDP") growth rate, producer price index ("PPI") rate and consumer price index ("CPI") rate. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 4 for more details on ECL.

Impairment of financial assets

Before the adoption of IFRS 9, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial instruments. For deposits and other receivables and loans to related parties, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL, since management estimates that there has not been a significant increase in credit risk since initial recognition for deposits and other receivables and loans to related parties. Management estimates the expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation.

Recognition of deferred tax assets

The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the periods in which such a reversal takes place. In cases where the actual future profits generated are higher than expected, the deferred tax assets will be adjusted and recognised in the consolidated statements of profit or loss and other comprehensive income in the periods in which such a situation takes place.

As at 31 December 2016 and 2017 and 30 June 2018, the carrying amount of deferred tax assets was RMB3,480,374, RMB1,714,201 and RMB1,234,156, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the finance leasing of equipment and vehicles, factoring and other services net of sales related taxes during the Track Record Period.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the finance leasing of equipment and vehicles.

The directors of the Company consider that the Group has one operating and reporting segment. No operating segment information is presented other than the entity-wide disclosures.

Entity-wide disclosures

Geographical information

The Group's operation is in the PRC and all its non-current assets other than financial instruments and deferred tax assets are situated in the PRC throughout the Track Record Period.

Major customers

During the Track Record Period, no customer individually contributed over 10% of total revenue of the Group.

Revenue by nature

The following is an analysis of revenue by nature and timing of revenue recognition during the Track Record Period:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Finance lease income				
<i>Vehicle finance leasing</i>				
Direct finance leasing	1,359,918	913,031	508,053	285,675
Sale – leaseback	38,528,293	46,926,537	24,478,277	24,653,750
	<u>39,888,211</u>	<u>47,839,568</u>	<u>24,986,330</u>	<u>24,939,425</u>
<i>Machinery and equipment finance leasing</i>				
Direct finance leasing	104,125	394,992	129,537	296,295
Sale – leaseback	1,666,202	333,983	307,871	–
Arrangement fee income (recognised over time) (note i)	<u>2,439,671</u>	<u>773,874</u>	<u>773,874</u>	<u>–</u>
	<u>4,209,998</u>	<u>1,502,849</u>	<u>1,211,282</u>	<u>296,295</u>
	<u>44,098,209</u>	<u>49,342,417</u>	<u>26,197,612</u>	<u>25,235,720</u>
Factoring income (note ii)	<u>–</u>	<u>318,622</u>	<u>34,956</u>	<u>–</u>
Total revenue	<u><u>44,098,209</u></u>	<u><u>49,661,039</u></u>	<u><u>26,232,568</u></u>	<u><u>25,235,720</u></u>

Notes:

- (i) The Group receives arrangement fee income for a fixed amount prior to the commencement of the lease period. The transaction price allocated to performance obligations in relation to the arrangement fee income that were unsatisfied was amounted to RMB3,213,545 and RMB773,874 as at 1 January 2016 and 31 December 2016, respectively, representing the contract liability included in “Other payables and accrued expenses” in note 22. The directors of the Company expected that all the RMB773,874 of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2016 would be recognised as revenue during the year ended 31 December 2017. There was no transaction price allocated to performance obligations that were unsatisfied as at 31 December 2017 and 30 June 2018, respectively.

RMB2,439,671 and RMB773,874 of arrangement fee income that was included in the contract liability balance at the beginning of 2016 and 2017 was recognised as revenue during the years ended 31 December 2016 and 2017, respectively.

- (ii) The Group entered into an agreement in 2017 to purchase finance lease receivables amounting to RMB20,608,204 from an independent third party for a total cash consideration of RMB20,289,582. Pursuant to the agreement, the independent third party should repurchase any delinquent finance lease receivables during the execution of the agreement at the amount of unpaid balance of the relevant finance lease receivables and has retained substantially all of the risks and rewards of ownership of the underlying finance lease receivables of RMB20,608,204. The Group paid the total cash consideration of RMB20,289,582 in 2017 and received RMB20,608,204 in 7 installments according to the agreement by the end of 2017, and recorded the difference as factoring income. There was no similar transaction carried out during the six months ended 30 June 2018.

7. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
(a) Other income				
Bank interest income	49,947	54,091	19,169	31,046
Imputed interest income from related parties	3,186,898	827,539	827,539	–
Government subsidies (note i)	6,930,116	5,877,932	4,305,501	309,165
Other service fee income (note ii)	368,834	–	–	–
Others	284,224	357,157	60,612	195,421
	<u>10,820,019</u>	<u>7,116,719</u>	<u>5,212,821</u>	<u>535,632</u>
(b) Other gains and losses				
Other investment gain (note iii)	18,757	355,888	46,943	135,754
Exchange (loss) gain, net	(765,217)	1,477,687	656,204	(30,043)
	<u>(746,460)</u>	<u>1,833,575</u>	<u>703,147</u>	<u>105,711</u>
	<u>10,073,559</u>	<u>8,950,294</u>	<u>5,915,968</u>	<u>641,343</u>

Notes:

- (i) Government grants primarily consist of the fiscal support that local governments offer to the group entities engaged in the finance leasing business in the PRC.
- (ii) Other service fee income represents the commission income earned in respect of the Group's prepayment of insurance expense paid on behalf of its customer during the year ended 31 December 2016. Further details of this transaction were set out in note 17(i).
- (iii) Other investment gain represented the gain arising from the Group's investment in the short-term unlisted financial products which were purchased and redeemed upon maturity from the banks in the PRC during the Track Record Period and are low risk in nature. During the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 and 2018, the Group invested in an aggregate of RMB27,500,000, RMB86,500,000, RMB21,500,000 (unaudited) and RMB83,800,000, respectively, in such short-term unlisted financial products while they were redeemed on the same year/period upon maturity in the amount of RMB27,518,757, RMB86,855,888, RMB21,546,943 (unaudited) and RMB83,935,754, resulting in a gain of RMB18,757, RMB355,888, RMB46,943 (unaudited) and RMB135,754, respectively, credited to "other gains and losses".

8. FINANCE COST

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Interest on bank and other borrowings	6,157,763	5,262,676	2,393,825	4,235,018
Imputed interest expense arising from deposits from finance lease customers	10,458,996	13,107,939	6,922,408	6,683,971
Total finance costs	<u>16,616,759</u>	<u>18,370,615</u>	<u>9,316,233</u>	<u>10,918,989</u>

9. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Profit (loss) before tax has been arrived at after charging:				
Depreciation of property and equipment	553,890	526,711	298,396	212,325
Amortisation of intangible assets	297,630	297,630	148,815	3,317
Total depreciation and amortisation	851,520	824,341	447,211	215,642
Recognition (reversal) of loss allowance of finance lease receivables	5,514,165	(1,108,409)	3,484,068	(908,072)
Recognition (reversal) of loss allowance of other receivables	115,114	427,242	–	(427,242)
Total impairment loss recognised (reversed)	5,629,279	(681,167)	3,484,068	(1,334,314)
Auditors' remuneration	249,941	287,371	143,686	162,264
Directors' emoluments (note 11)	656,415	654,744	327,559	327,480
Salaries, bonus and other benefits (excluding directors)	9,084,259	9,023,322	5,403,707	3,678,004
Retirement benefit scheme contributions (excluding directors)	2,534,203	2,557,467	1,511,547	1,045,349
Total staff cost	12,274,877	12,235,533	7,242,813	5,050,833
Minimum lease payments in respect of rented premises	2,395,039	2,398,274	1,392,502	845,143

10. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
			(unaudited)	
Enterprise Income Tax ("EIT")	(3,710,837)	–	–	(274,090)
Deferred tax (expense) credit (note 25)	1,439,392	(1,766,173)	64,986	(677,439)
Total income tax (expense) credit	(2,271,445)	(1,766,173)	64,986	(951,529)

No provision of Hong Kong profit tax, as the entity in Hong Kong does not have any assessable profit throughout the Track Record Period. No provision of PRC EIT for the year ended 31 December 2017, as Metropolis International Leasing Company Ltd. (信都國際租賃有限公司) ("Metropolis Leasing"), the Group's 100% owned PRC subsidiary, has no assessable profit, since the impairment losses on financial lease receivables previously made had become tax deductible upon transfer of which to an independent financial institution and write off (as detailed in notes 18 and 19) during the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate applicable to Metropolis Leasing was 25% for the Track Record Period.

Income tax (expense) credit over the Track Record Period can be reconciled to profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	RMB	RMB	RMB	RMB
Profit (loss) before tax	<u>8,781,602</u>	<u>6,848,562</u>	<u>(402,947)</u>	<u>3,619,136</u>
Tax (charge) credit at PRC EIT rate of 25%	(2,195,401)	(1,712,141)	100,737	(904,784)
Tax effect of expense not deductible for tax purpose	<u>(76,044)</u>	<u>(54,032)</u>	<u>(35,751)</u>	<u>(46,745)</u>
Income tax (expense) credit for the year/period	<u>(2,271,445)</u>	<u>(1,766,173)</u>	<u>64,986</u>	<u>(951,529)</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(A) Directors

The emoluments paid or payable to each of the directors, Chairman and Chief Executive Officer of the Company (including emoluments paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the entities comprising the Group during the Track Record Period, disclosed pursuant to the applicable GEM Listing Rules, are as follows:

	Fees	Salaries and other benefits	Retirement benefits schemes contribution	Total
	RMB	RMB	RMB	RMB
<u>Year ended 31 December 2016</u>				
Executive directors				
Mr. Chau (note a)	–	363,600	12,873	376,473
Ms. Zhou Hui (note b)	–	207,600	72,342	279,942
Non-executive director				
Ms. Chau On (note c)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>571,200</u>	<u>85,215</u>	<u>656,415</u>

	Fees <i>RMB</i>	Salaries and other benefits <i>RMB</i>	Retirement benefits schemes contribution <i>RMB</i>	Total <i>RMB</i>
<u>Year ended 31 December 2017</u>				
Executive directors				
Mr. Chau (<i>note a</i>)	–	363,600	13,678	377,278
Ms. Zhou Hui (<i>note b</i>)	–	207,600	69,866	277,466
Non-executive director				
Ms. Chau On (<i>note c</i>)	–	–	–	–
	–	571,200	83,544	654,744

	Fees <i>RMB</i>	Salaries and other benefits <i>RMB</i>	Retirement benefits schemes contribution <i>RMB</i>	Total <i>RMB</i>
<u>Six months ended 30 June 2017</u> <u>(unaudited)</u>				
Executive directors				
Mr. Chau (<i>note a</i>)	–	181,800	6,724	188,524
Ms. Zhou Hui (<i>note b</i>)	–	103,800	35,235	139,035
Non-executive director				
Ms. Chau On (<i>note c</i>)	–	–	–	–
	–	285,600	41,959	327,559

	Fees <i>RMB</i>	Salaries and other benefits <i>RMB</i>	Retirement benefits schemes contribution <i>RMB</i>	Total <i>RMB</i>
<u>Six months ended 30 June 2018</u>				
Executive directors				
Mr. Chau (<i>note a</i>)	–	181,800	7,281	189,081
Ms. Zhou Hui (<i>note b</i>)	–	103,800	34,599	138,399
Non-executive director				
Ms. Chau On (<i>note c</i>)	–	–	–	–
	–	285,600	41,880	327,480

Notes:

- (a) Mr. Chau was appointed as Chairman, Chief Executive Officer and executive director of the Company on 29 June 2017.
- (b) Ms. Zhou Hui was appointed as executive director of the Company on 29 August 2017.
- (c) Ms. Chau On was appointed as non-executive director of the Company on 29 August 2017.
- (d) The executive directors' emoluments shown above were for their services in connection with management affairs of the Group.
- (e) There was no performance related bonus made to the directors of the Company during the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the Chief Executive Officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or Chief Executive Officer of the Company waived any emoluments during the Track Record Period.

(B) Employees

The five highest paid individuals of the Group include two, two, two (unaudited) and two directors of the Company for each of the two years ended 31 December 2016 and 2017 and the six months ended 2017 and 2018, respectively. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Directors	656,415	654,744	327,559	327,480
Non-directors	731,960	1,119,434	371,053	438,615
	<u>1,388,375</u>	<u>1,774,178</u>	<u>698,612</u>	<u>766,095</u>

Details of the remuneration of the remaining non-director, highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Salaries, bonus and other benefits (note)	616,620	927,069	296,868	347,400
Retirement benefits schemes contribution	115,340	192,365	74,185	91,215
	<u>731,960</u>	<u>1,119,434</u>	<u>371,053</u>	<u>438,615</u>

Note: Performance related bonus was made to the highest paid employees of the Group on discretionary basis which was determined based of the Group's performance and their contributions.

Their emoluments were within the following bands.

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>	<i>No. of</i>
	<i>employees</i>	<i>employees</i>	<i>employees</i>	<i>employees</i>
			(unaudited)	
Less than Hong Kong Dollars ("HK\$") 1,000,000 (equivalent to RMB866,200, RMB865,200, RMB881,200 (unaudited) and RMB839,500 for the year ended 31 December 2016 and 2017 and six months ended 30 June 2017 and 2018, respectively)	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

During the Track Record Period, the entities comprising the Group had never declared dividends to their equity holder. No dividend was declared or paid by the Company since its date of incorporation.

13. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	Year ended 31 December		Six months ended 30 June	
	2016	2017	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	
Earnings:				
Profit (loss) for the year/period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>6,510,157</u>	<u>5,082,389</u>	<u>(337,961)</u>	<u>2,667,607</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings/loss per share	<u>600,000,000</u>	<u>600,000,000</u>	<u>600,000,000</u>	<u>600,000,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the Capitalisation Issue as referred to the paragraph headed "A. Further information about our Company – 4. Resolutions in writing of our sole Shareholder passed on 23 November 2018" under the section headed "Statutory and general information" in Appendix IV to the Prospectus had been effective on 1 January 2016.

No diluted earnings per share was presented as there were no potential ordinary shares in issue throughout the Track Record Period.

14. PROPERTY AND EQUIPMENT

	Office Equipment <i>RMB</i>	Motor vehicles <i>RMB</i>	Leasehold improvement <i>RMB</i>	Total <i>RMB</i>
COST				
At 1 January 2016	909,952	1,672,137	433,828	3,015,917
Additions	180,638	397,754	–	578,392
At 31 December 2016	1,090,590	2,069,891	433,828	3,594,309
Additions	4,230	–	146,424	150,654
At December 2017	1,094,820	2,069,891	580,252	3,744,963
Additions	7,480	–	4,674	12,154
At 30 June 2018	1,102,300	2,069,891	584,926	3,757,117
ACCUMULATED DEPRECIATION				
At 1 January 2016	500,195	638,131	267,527	1,405,853
Provided for the year	178,193	288,931	86,766	553,890
At 31 December 2016	678,388	927,062	354,293	1,959,743
Provided for the year	158,245	288,931	79,535	526,711
At December 2017	836,633	1,215,993	433,828	2,486,454
Provided for the period	46,874	144,465	20,986	212,325
At 30 June 2018	883,507	1,360,458	454,814	2,698,779
CARRYING VALUE				
At 31 December 2016	412,202	1,142,829	79,535	1,634,566
At 31 December 2017	258,187	853,898	146,424	1,258,509
At 30 June 2018	218,793	709,433	130,112	1,058,338

The above items of property and equipment are depreciated on a straight-line basis based on their estimated useful lives, after taking into account the estimated residual value, as follows:

Office equipment	3~5 years
Motor vehicles	4 years
Leasehold improvement	Shorter of 5 years or lease term

15. INTANGIBLE ASSETS

	Software RMB	Trademark RMB	Website Development RMB	Vehicle Licenses RMB	Total RMB
COST					
At 1 January 2016 and at 31 December 2016	878,588	8,000	19,902	–	906,490
Additions	–	–	–	2,121,670	2,121,670
At 31 December 2017	878,588	8,000	19,902	2,121,670	3,028,160
Additions	–	–	–	448,470	448,470
At 30 June 2018	878,588	8,000	19,902	2,570,140	3,476,630
ACCUMULATED DEPRECIATION					
At 1 January 2016	296,596	8,000	–	–	304,596
Provided for the year	290,996	–	6,634	–	297,630
At 31 December 2016	587,592	8,000	6,634	–	602,226
Provided for the year	290,996	–	6,634	–	297,630
At 31 December 2017	878,588	8,000	13,268	–	899,856
Provided for the period	–	–	3,317	–	3,317
At 30 June 2018	878,588	8,000	16,585	–	903,173
CARRYING VALUE					
At 31 December 2016	290,996	–	13,268	–	304,264
At 31 December 2017	–	–	6,634	2,121,670	2,128,304
At 30 June 2018	–	–	3,317	2,570,140	2,573,457

The above intangible assets, except for vehicle licenses, are amortised on a straight-line basis based on their estimated useful lives as follows:

Software	3 years
Trademark	3 years
Website development cost	3 years

The directors of the Company are of the opinion that the vehicle licenses have indefinite useful lives as the vehicle licenses are transferable and able to renew with minimal cost, which is therefore carried at cost less accumulated impairment, if any.

The directors of the Group had assessed the fair value less cost of disposal with reference to the recent completed transaction prices in open market as the recoverable amount of these vehicle licenses and concluded that there was no impairment on vehicle licenses as at 31 December 2017 and 30 June 2018.

16. LOANS TO RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES

(A) Loans to related parties

	As at 1 January 2016 RMB	As at 31 December 2016 RMB	As at 31 December 2017 RMB	As at 30 June 2018 RMB	Maximum balance outstanding during the year ended 31 December 2016 RMB	Maximum balance outstanding during the year ended 31 December 2017 RMB	Maximum balance outstanding during the period ended 30 June 2018 RMB
The Group							
Mr. Chau	39,595,532	20,968,152	–	–	39,595,532	25,157,649	–
Shanghai Kailan Marketing Planning Co., Ltd. [#] (上海凱藍市場營銷策劃有限公 司) (“Kailan”)	4,292,608	1,907,450	–	–	4,292,608	1,953,464	–
Xin You (CangChau) Real Estate Development Co., Ltd. [#] (信友(滄州)房地產開發有限公司) (“Xin You”)	39,145,995	14,259,224	10,000,000	10,000,000	39,145,995	14,259,224	10,000,000
	<u>83,034,135</u>	<u>37,134,826</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>83,034,135</u>	<u>41,370,337</u>	<u>10,000,000</u>

[#] English name is for identification purpose only.

The balances shown above were all non-trade in nature and represented the advances made by the Group to Mr. Chau, Xin You and Kailan. Xin You was a related party because it was 100% owned and controlled by a close family member of Mr. Chau and Mr. Chau acts as legal representative and chairman of Xin You. Kailan was a related party because it was 85% owned and controlled by a close family member of Mr. Chau.

The loans to Mr. Chau and Kailan had been all settled, pursuant to the current account offsetting agreements entered into with related parties during the year ended 31 December 2017 as detailed in note 16(C).

As at 31 December 2016, the balances of loans to Xin You were unsecured, interest-free and repayable on 30 June 2017, while the remaining balances of loans to related parties (including loans to Mr. Chau and Kailan) as at 31 December 2016 amounting to RMB22,875,602 were unsecured, interest-free and repayable prior to the Listing. As at 31 December 2017 and 30 June 2018, the loan to Xin You was unsecured, interest-free and repayable on demand. As represented by the management of the Group, the outstanding amount due from Xin You would be settled prior to the Listing.

These balances were carried at amortised cost using the effective interest method, while the effective interest rate for the balances as at 31 December 2016 is 4.75% per annum.

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Analysed for reporting purposes as:			
Current assets	<u>37,134,826</u>	<u>10,000,000</u>	<u>10,000,000</u>

(B) Amounts due to related parties**The Group**

	At 31 December		At 30 June
	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Mr. Chow Chuen Chung (<i>note</i>)	62,179	58,107	58,606
Ms. Chau On (<i>note</i>)	21,472,000	–	–
Mr. Chau	–	4,903,891	–
Xin You	4,600,000	–	–
	<u>26,134,179</u>	<u>4,961,998</u>	<u>58,606</u>

Note: Mr. Chow Chuen Chung and Ms. Chau On are related parties because they are close family members of Mr. Chau.

At the end of each reporting period, the amounts due to related parties with the following amounts are denominated in currencies other than functional currencies of the group entities.

	At 31 December		At 30 June
	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
HK\$	<u>21,534,179</u>	<u>58,107</u>	<u>58,606</u>

The balances were all non-trade related and represented the advances made to the Group by Mr. Chow Chuen Chung, Ms. Chau On, Mr. Chau and Xin You during the Track Record Period. The amount was unsecured, interest free and repayable on demand. The outstanding amounts due to related parties as at 30 June 2018 was settled subsequently in August 2018.

The Company

The Company's balances of amount due to related parties as at 30 June 2018 were all non-trade related and represented the listing costs paid by Metropolis Leasing on behalf of the Company.

(C) Offsetting arrangement

In order to facilitate the settlement of the Group's outstanding receivable and payable balances with related parties, the Group entered into several current account offsetting agreements between Mr. Chau, Kailan, Xin You, Ms. Chau On and the Group during the year ended 31 December 2017, pursuant to which the related loans receivable from Mr. Chau of RMB25,157,649, Ms. Chau On of RMB596,462 and Kailan of RMB1,953,464, totalling RMB27,707,575, and the amounts due to related parties payable to Ms. Chau On of RMB20,072,913, Mr. Chau of RMB2,637,861 and Xin You of RMB4,996,801, totalling RMB27,707,575, had been offset during the year ended 31 December 2017 as agreed among all related parties. As represented by the management of the Group, the outstanding amounts due as shown in note 16(A) and 16(B) as at 30 June 2018 would be settled prior to the Listing.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
The Group			
Other receivables			
Staff advance (<i>note i</i>)	1,150,038	1,276,040	1,449,306
Prepayment of insurance on behalf of customer (<i>note i</i>)	3,357,999	–	–
Others	115,114	427,242	–
	4,623,151	1,703,282	1,449,306
Less:			
Allowance of doubtful accounts	(115,114)	(427,242)	–
	4,508,037	1,276,040	1,449,306
Other prepayments	365,159	932,109	1,393,804
Deferred issue costs (<i>note ii</i>)	–	3,641,538	4,469,657
Rental deposits	267,547	249,050	272,866
Value added tax (“VAT”) recoverable	6,174,116	1,624,704	846,013
	11,314,859	7,723,441	8,431,646

Movements of loss allowance on other receivables during the Track Record Period

	RMB
At 1 January 2016	–
Provision during the year (<i>note iii</i>)	115,114
At 31 December 2016	115,114
Provision during the year (<i>note iii</i>)	427,242
Written-off	(115,114)
At 31 December 2017	427,242
Reversal during the period (<i>note iv</i>)	(427,242)
At 30 June 2018	–

Notes:

- (i) The staff advance is expected by the management of the Group to be received or settled within one year.
- The insurance expenses paid on behalf of the customer will be receivable within one year in accordance with the monthly repayment schedule as stipulated in the agreements and in return, the Group would earn a service fee income over the prepayment period. The Group entered into several agreements with a customer, pursuant to which the Group agreed to pay the insurance fee as the policy owner while the customer was the insurance beneficiary under these insurance policies. The insurance policies would be transferred to the customer upon completion of its repayment to the Group. In order to secure the repayment, the Group has demanded security deposits from this customer totalling RMB977,412 (as included in “other payables” in note 22) as at 31 December 2016 of which would be settled upon completion of its repayment to the Group or any situation of early termination of the arrangement. This transaction has been terminated during the year ended 31 December 2017.
- (ii) Deferred issue costs represents the qualifying portion of listing costs incurred up to 30 June 2018, which will be debited to equity of the Group as share issue costs in respect of the successful issue of new shares upon Listing.

- (iii) During the year ended 31 December 2016 and 2017, included in allowance for doubtful accounts were individually impaired receivables totalling RMB115,114 and RMB427,242, respectively, provided in full since the counterparties were in financial difficulties.
- (iv) Total amount of reversal on loss allowance on other receivables during the six months ended 30 June 2018 represented the recovery of RMB427,242 in cash which had been fully impaired during the year ended 31 December 2017.

The Company

The Company's balances as at 30 June 2018 represented deferred issue costs of RMB4,469,657.

18. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Finance lease receivables:			
Within one year	230,804,228	206,326,461	224,395,987
One year to three years	101,972,594	85,312,926	108,737,166
	<u>332,776,822</u>	<u>291,639,387</u>	<u>333,133,153</u>
Less: Unrealised finance income			
Within one year	(26,109,648)	(19,630,914)	(22,243,560)
One year to three years	(19,050,088)	(15,259,855)	(17,246,720)
	<u>(45,159,736)</u>	<u>(34,890,769)</u>	<u>(39,490,280)</u>
Present value of minimum lease payment			
Within one year	204,694,580	186,695,547	202,152,427
One year to three years	82,922,506	70,053,071	91,490,446
	<u>287,617,086</u>	<u>256,748,618</u>	<u>293,642,873</u>
Less: Loss allowance on finance lease receivables	<u>(13,404,207)</u>	<u>(4,508,871)</u>	<u>(4,390,376)</u>
	<u>274,212,879</u>	<u>252,239,747</u>	<u>289,252,497</u>
For reporting purposes as:			
Current assets	195,406,422	183,505,651	199,187,338
Non-current assets	78,806,457	68,734,096	90,065,159
	<u>274,212,879</u>	<u>252,239,747</u>	<u>289,252,497</u>

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range from 4.79% to 40.55%, from 6% to 33.16% and from 7.87% to 42.21% per annum as at 31 December 2016 and 2017 and 30 June 2018, respectively.

As at 31 December 2016 and 2017 and 30 June 2018, the carrying amount of finance lease receivables arising from the finance lease business with Xin You (as a related party defined in note 16) is RMB3,051,317, RMB9,064,844 and RMB7,866,640, respectively. No deposits had been received from Xin You by the Group in respect of these finance lease agreements.

The following is a credit quality analysis of finance lease receivables as at 31 December 2016 and 2017 under the requirement of IAS 39. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

	At 31 December	
	2016	2017
	<i>RMB</i>	<i>RMB</i>
Receivables not overdue	194,759,533	232,864,509
Overdue receivables without individual allowance of doubtful accounts	71,164,238	20,172,902
Overdue receivables with individual allowance of doubtful accounts	21,693,315	3,711,207
	<u>287,617,086</u>	<u>256,748,618</u>
Less:		
Allowance of doubtful accounts (individually)	(6,335,386)	(1,034,488)
Allowance of doubtful accounts (collectively)	<u>(7,068,821)</u>	<u>(3,474,383)</u>
Total	<u>274,212,879</u>	<u>252,239,747</u>

The following is an aging analysis based on past due dates of finance lease receivables which are past due but not individually impaired as at 31 December 2016 and 2017 under the requirement of IAS 39:

	At 31 December	
	2016	2017
	<i>RMB</i>	<i>RMB</i>
Within one month	27,711,891	5,546,237
One to three months	21,050,241	4,647,867
Three months to one year	19,374,014	9,913,950
More than one year	<u>3,028,092</u>	<u>64,848</u>
	<u>71,164,238</u>	<u>20,172,902</u>

Movements of loss allowance on finance lease receivables during the Track Record Period

(A) Movement of allowance for the two years ended 31 December 2017 under IAS 39

	Individual impairment <i>RMB</i>	Collective impairment <i>RMB</i>	Total <i>RMB</i>
At 1 January 2016	(3,720,760)	(4,169,282)	(7,890,042)
Provision during the year	(2,614,626)	(2,899,539)	(5,514,165)
At 31 December 2016	(6,335,386)	(7,068,821)	(13,404,207)
(Provision) reversal during the year	(2,486,029)	3,594,438	1,108,409
Eliminated upon transfer of related finance lease receivables (<i>note 19</i>)	4,913,346	–	4,913,346
Written-off	2,873,581	–	2,873,581
At 31 December 2017	(1,034,488)	(3,474,383)	(4,508,871)

(B) Movement of allowance for the six months ended 30 June 2018 under IFRS 9

	Stage 1 12m ECL <i>RMB</i>	Stage 2 Lifetime ECL not credit-impaired <i>RMB</i>	Stage 3 Lifetime ECL credit-impaired <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2018				4,508,871
Effect arising from adoption of IFRS 9				789,577
As at 1 January 2018				5,298,448
Changes in the loss allowance:				
– Transfer to Stage 1	356,220	(297,020)	(59,200)	–
– Transfer to Stage 2	(26,256)	221,718	(195,462)	–
– Transfer to Stage 3	(527)	(140,587)	141,114	–
– (Credited) charged to profit or loss	(725,584)	504,140	(686,628)	(908,072)
As at 30 June 2018				4,390,376

The finance lease receivables are secured by the leased assets and deposits (if available). The deposit is required and calculated as a certain percentage of the contract value and paid back throughout or by the end of the contract as stipulated in the finance leasing contracts. The deposit could be paid back once the lessee fully carried out all obligations under the contract. The deposit can also be used to settle the outstanding debts. As at 31 December 2016 and 2017 and 30 June 2018, the outstanding deposits from finance lease customers were RMB54,693,393, RMB47,772,551 and RMB49,931,715, respectively. The Group might require extra assurance, e.g. land use rights, houses, vehicles, as an extra mortgage. There was no contingent lease arrangement that needed to be recognised over the Track Record Period.

Analysis for the amount of deposits received from finance lease customers for reporting purpose as:

	At 31 December		At 30 June
	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Non-current liabilities	40,218,829	25,782,956	25,908,757
Current liabilities	14,474,564	21,989,595	24,022,958
	<u>54,693,393</u>	<u>47,772,551</u>	<u>49,931,715</u>

The deposits received is interest-free and measured at amortised cost using the effective interest method. The weighted average effective interest rate adopted is 22.92%, 21.56% and 20.62% for the years ended 31 December 2016 and 2017 and six months ended 30 June 2018, respectively.

19. TRANSFER OF FINANCIAL ASSETS

The Group entered into several agreements during the year ended 31 December 2017 with an independent financial institution, pursuant to which the Group has agreed to transfer the finance lease receivables at discount, together with the deposits received from these finance lease customers, and with no recourse by an independent financial institution.

During the year ended 31 December 2017, finance lease receivables of a total carrying amount of RMB29,663,721 (net of individual provision for impairment loss of RMB4,913,346) was derecognised by the Group and transferred to the independent financial institution for a total cash consideration of RMB28,050,000, resulting in a loss on individually impaired finance lease receivables of RMB1,613,721 charged to profit or loss.

Total cash consideration of RMB28,050,000 had been received by the Group during the year ended 31 December 2017.

In addition, as part of the arrangement, relevant deposits received from the finance lease customers amounting to RMB5,291,271 has also been transferred to the independent financial institution, without profit or loss impact to the Group.

The Group did not enter into similar transaction during the year ended 31 December 2016 and the six months ended 30 June 2018.

20. SECURITY DEPOSITS

As at 31 December 2016, security deposits of RMB21,100,000 were placed by the Group with banks to secure the Group's due performance in relation to the certain finance lease services in the PRC without interest. The security deposits has been returned to the Group upon completion of such related finance lease service during the year ended 31 December 2017.

As at 30 June 2018, the security deposits of RMB383,502 were placed by the Group with a bank to secure a short-term bank borrowing. The interest rate of this security deposits is 0.35% per annum.

21. BANK BALANCES AND CASH

As at 31 December 2016 and 2017 and 30 June 2018, bank balances carried interest at prevailing market rates at 0.35% per annum.

At the end of each reporting period, bank balances and cash with the following amounts are denominated in currencies other than the functional currencies of the group entities.

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
HK\$	697,274	46,154	45,001
United States Dollars ("US\$")	178,361	35,268	35,683
	<u>875,635</u>	<u>81,422</u>	<u>80,684</u>

22. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Other payables (<i>note a</i>)	27,406,164	10,536,743	7,101,594
Contract liability (<i>note 6(i)</i>)	773,874	–	–
Listing costs payables	–	7,893,960	2,559,263
Accrued expenses (<i>note b</i>)	1,863,633	3,056,715	2,855,152
Other tax payables	8,784,076	1,435,748	1,466,567
	<u>38,827,747</u>	<u>22,923,166</u>	<u>13,982,576</u>

At the end of each reporting period, the listing costs payables with the following amounts are denominated in currencies other than functional currencies of the group entities.

	At December 2016	2017	At 30 June 2018
HK\$	<u>–</u>	<u>6,265,435</u>	<u>2,577,459</u>

Notes:

- (a) Other payables mainly include (i) payables to finance lease equipment dealers of RMB20,000,000, nil and nil, (ii) security deposit received in respect of payments of insurance expense on behalf of a customer of RMB977,412, nil and nil, and (iii) advanced payments received from finance lease customers in respect of certain finance lease arrangement conducted by the Group of RMB5,635,422, RMB7,428,940 and RMB5,628,300 as at 31 December 2016 and 2017 and 30 June 2018, respectively.
- (b) As at 31 December 2016 and 2017 and 30 June 2018, accrued expenses included payroll payables of RMB1,580,727, RMB2,689,872 and RMB2,330,624, respectively, and interest payables of RMB282,906, RMB366,843 and RMB524,528, respectively.

23. BANK AND OTHER BORROWINGS

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Fixed-rate borrowings			
Bank borrowings			
– Secured and guaranteed (note (a))	25,152,593	15,048,429	24,439,480
– Secured and unguaranteed (note (a))	4,722,866	–	–
	<u>29,875,459</u>	<u>15,048,429</u>	<u>24,439,480</u>
Other borrowings from independent third parties			
– Secured and unguaranteed (note (a))	21,453,541	14,818,680	67,446,232
– Unsecured and unguaranteed (note (b))	14,720,000	–	–
	<u>36,173,541</u>	<u>14,818,680</u>	<u>67,446,232</u>
	<u>66,049,000</u>	<u>29,867,109</u>	<u>91,885,712</u>
	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Analysed as:			
Bank and other borrowings			
– Within one year	51,000,571	29,867,109	76,535,833
– More than one year but not exceeding two years	15,048,429	–	15,349,879
	<u>66,049,000</u>	<u>29,867,109</u>	<u>91,885,712</u>
	At 31 December 2016	2017	At 30 June 2018
Effective interest rate for fixed rate borrowings (per annum)	<u>6%~15.6%</u>	<u>4.35%~19.29%</u>	<u>5.73%~19.29%</u>

Notes:

- (a) As at 31 December 2016 and 2017 and 30 June 2018, the Group's bank and other borrowings of RMB51,329,000, RMB29,867,109 and RMB91,885,712, respectively, were granted by several banks and independent third parties in the PRC and secured by charges over certain finance lease receivables of the Group as detailed in note 31. As at 31 December 2016 and 2017 and 30 June 2018, the Group's secured bank borrowings of RMB25,152,593, RMB15,048,429 and RMB24,439,480, respectively, were guaranteed by an independent third party, of which RMB25,152,593, RMB15,048,429 and nil was also under joint and several liability guaranteed by Mr. Chau.

Other borrowings, which were secured and unguaranteed, as at 31 December 2017 and 30 June 2018 amounting to RMB14,818,680 and RMB2,709,457, respectively, represented the Group's financing arrangement with a fund (the "Fund A"), including an initial principal of RMB27,590,000 net of the repayments totalling RMB12,771,320 and RMB12,109,223 during the year ended 31 December 2017 and six months ended 30 June 2018, respectively. The details of the arrangement with the Fund A were set out below:

In June 2017, the Group entered into a financing agreement (the "Agreement A") with a fund manager on behalf of the Fund A, pursuant to which the Fund A advanced the sum of RMB28,590,000 to the Group in consideration of the transfer of the Group's finance lease receivables totalling RMB34,330,000 to the Fund A. The fund manager had set up the Fund A whose principal assets being the above-mentioned finance lease receivables, which, upon collection, would be used to provide the designated return to the investors of the Fund A. Due to certain terms and conditions as stipulated in the Agreement A, the Group had not transferred the significant risks and rewards relating to these finance lease receivables to the Fund A, and the Group, therefore, continued to recognise the full carrying amount of the finance lease receivables.

The advance of RMB28,590,000 received by the Group, net of the Group's own investment of RMB1,000,000 in the Fund A, resulting in a net receipt amount of RMB27,590,000, accounted for as "other borrowings", which was subsequently measured at amortised cost using the effective interest method. The effective interest rate is 19.29% per annum. In this transaction, Xinyou, a related party of the Group, has also invested in the Fund A in the amount of RMB1,000,000, while all the terms and conditions are the same as the other independent investors.

Other borrowings, which were secured and unguaranteed, as at 30 June 2018 amounting to RMB55,823,758 represented the Group's financing arrangement with another fund (the "Fund B"), including an initial principal of RMB75,405,000 net of the repayment totaling RMB19,581,242 during the six months ended 30 June 2018. Under this financing arrangement, the Group entered into 2 financing agreements with a fund manager on behalf of the Fund B, pursuant to which the Fund B advanced the sum of RMB31,760,000 and RMB43,645,000 to the Group in consideration of the transfer of the Group's finance lease receivables, but without transferring the significant risks and rewards, of RMB35,700,000 and RMB54,016,000 to the Fund B in February 2018 and April 2018, respectively. The Group accounted for the advance of RMB75,405,000 received as "other borrowings", which was subsequently measured at amortised cost using the effective interest method under effective interest rates of 13.9% and 13.1% per annum, respectively, and continued to recognise the full carrying amount of finance lease receivables.

Other borrowings as at 30 June 2018 amounting to RMB8,913,017 represented a short-term borrowing granted by an independent third party in January 2018 with one year period and 9% interest rate per annum.

- (b) As at 31 December 2016, the amount of RMB14,720,000 was borrowings from several independent third parties, which carried interest at fixed rates ranging from 6% to 15.6% and repayable within one year. Such amounts were fully repaid by the Group during the year ended 31 December 2017.

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

24. SHARE CAPITAL

The share capital as at 31 December 2016 represented the issued share capital of Metropolis Asia. The share capital as at 31 December 2017 represented the issued share capital of the Company and Metropolis Asia. Upon the completion of the Group Reorganisation on 8 March 2018 and 30 June 2018, the share capital of the Group as at 30 June 2018 represented the issued share capital of the Company. As at 31 December 2017 and 30 June 2018, the share capital of the Company represented the 1 and 50,000 ordinary shares of HK\$0.01 each issued to View Art, respectively.

Details of the share capital of Metropolis Asia and the Company were as follow:

Metropolis Asia

	Number of shares	Amount <i>USD</i>	<i>RMB</i> equivalent
Issued and fully paid (no par value)			
On 1 January 2016 and 31 December 2016 and 2017	50,000	50,000	341,695

Note: On 22 August 2017, the maximum number of shares which Metropolis Asia was authorised to issue was increased by 50,000 ordinary shares with no par value. After the foregoing took effect, the total maximum authorised number of shares which Metropolis Asia was authorised to issue was 100,000 shares with no par value.

The Company

	Number of shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
On 29 June 2017 (date of incorporation), 31 December 2017 and 30 June 2018	38,000,000	380,000
Issued and fully paid:		
On 29 June 2017 (date of incorporation) and 31 December 2017	1	–
Issued in consideration for the acquisition of Metropolis Asia on 8 March 2018	49,999	500
On 30 June 2018	50,000	500
		<i>RMB</i>
Shown in the statement of financial position		404

The new shares rank pari passu with the then existing shares in all respects.

25. DEFERRED TAX ASSETS

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Deferred tax assets	3,480,374	1,714,201	1,234,156

The movement in deferred tax assets during the Track Record Period is as follows:

	Loss allowance on finance lease receivables	Depreciation of property and equipment	Amortisation of intangible asset	Tax losses	Total
At 31 December 2015	1,972,511	15,869	52,602	–	2,040,982
Credit to profit or loss	1,378,541	9,106	51,745	–	1,439,392
At 31 December 2016	3,351,052	24,975	104,347	–	3,480,374
(Charge) credit to profit or loss	(2,223,834)	(109)	51,746	406,024	(1,766,173)
At 31 December 2017	1,127,218	24,866	156,093	406,024	1,714,201
Effect arising on adoption of IFRS 9	197,394	–	–	–	197,394
Adjusted balance at 1 January 2018	1,324,612	24,866	156,093	406,024	1,911,595
Change to profit or loss	(260,657)	(269)	(10,489)	(406,024)	(677,439)
At 30 June 2018	1,063,955	24,597	145,604	–	1,234,156

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2016 and 2017 and 30 June 2018, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB24,516,696, RMB29,198,799 and RMB31,921,884 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

There were no other significant unrecognised temporary differences at the end of each reporting period.

26. RETIREMENT BENEFIT SCHEME

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at 20% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total costs recognised in profit or loss in respect of contributions paid or payable to the scheme by the Group for the years ended 31 December 2016 and 2017 and six months ended 30 June 2017 and 2018 are RMB2,619,418, RMB2,641,011, RMB1,553,506 (unaudited) and RMB1,087,229, respectively.

27. RECONCILIATION OF LIABILITIES AND ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and assets arising from financing activities, including both cash and non-cash changes. Liabilities and assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Security deposits RMB	Bank and other borrowings RMB	Amount due to related parties RMB	Accrued issue costs RMB	Total RMB
At 1 January 2016	–	54,118,907	24,205	–	54,143,112
Financing cash flows	–	11,930,093	25,339,684	–	37,269,777
<i>Non-cash changes</i>					
Exchange loss	–	–	770,290	–	770,290
At 31 December 2016	–	66,049,000	26,134,179	–	92,183,179
Financing cash flows	–	(36,181,891)	8,012,149	(1,457,714)	(29,627,456)
<i>Non-cash changes</i>					
Offsetting arrangement with related parties (as detailed in note 16(c))	–	–	(27,707,575)	–	(27,707,575)
Exchange gain	–	–	(1,476,755)	–	(1,476,755)
Issue costs accrued	–	–	–	3,641,538	3,641,538
At 31 December 2017	–	29,867,109	4,961,998	2,183,824	37,012,931
Financing cash flows	(383,502)	62,018,603	(4,903,891)	(1,915,869)	54,815,341
<i>Non-cash changes</i>					
Exchange loss	–	–	499	–	499
Issue costs accrued	–	–	–	828,119	828,119
At 30 June 2018	(383,502)	91,885,712	58,606	1,096,074	92,656,890
At 31 December 2016	–	66,049,000	26,134,179	–	92,183,179
Financing cash flows (unaudited)	–	(42,955,702)	2,225,792	(775,992)	(41,505,902)
<i>Non-cash changes</i>					
Exchange gain (unaudited)	–	–	(617,652)	–	(617,652)
Issue costs accrued (unaudited)	–	–	–	1,949,712	1,949,712
At 30 June 2017 (unaudited)	–	23,093,298	27,742,319	1,173,720	52,009,337

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of amounts due to related parties, and bank and other borrowings as set out in notes 16 and 23, respectively and equity attributable to owner of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and bank and other borrowings. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

29. FINANCIAL INSTRUMENTS**Categories of financial instruments****The Group**

	At 31 December		At 30 June
	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Financial assets			
Finance lease receivables	274,212,879	252,239,747	289,252,497
Loans and receivables (including cash and cash equivalent)	69,655,629	15,754,629	–
Financial assets at amortised costs (including cash and cash equivalent)	–	–	25,846,362
	<u>343,868,508</u>	<u>267,994,376</u>	<u>315,098,859</u>
Financial liabilities			
Deposit from finance lease customers	54,693,393	47,772,551	49,931,715
Other financial liabilities at amortised cost	120,363,217	53,259,810	101,605,175
	<u>175,056,610</u>	<u>101,032,361</u>	<u>151,536,890</u>

The Company

	As at 31 December		As at 30 June
	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Financial liabilities			
Amount due to related parties	N/A	–	6,954,014

Financial risk management objectives and policies

The major financial instruments include finance lease receivables, loans to related parties, other receivables, security deposits, bank balances and cash, deposits from finance lease customers, other payables, amounts due to related parties and bank and other borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Although the Group has certain bank balances and cash denominated in US\$ and HK\$ and certain amounts due to related parties and other payables denominated in HK\$ as set out in notes 21, 16 and 22, the Group's operations were principally carried out in the PRC during the Track Record Period and it mainly earned revenue and incurred costs and expenses in RMB. Therefore the management of the Group assessed that the Group's currency risk is solely attributable to the foreign currency denominated bank balances and cash, amounts due to related parties and other payables. In addition, the Group is also exposed to other financial risks, including principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

Currency risk

The Group's exposure to foreign currency risk arises solely from bank balances and cash, amounts due to related parties and other payables. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

The Group

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Assets			
HK\$	697,274	46,154	45,001
US\$	178,361	35,268	35,683
Liabilities			
HK\$	21,534,179	6,323,542	2,636,065

The Company

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Liabilities			
HK\$	N/A	–	3,715,077

Sensitivity analysis

This sensitivity analysis details the Group's and the Company's sensitivity to a 10% appreciation and depreciation in RMB against the relevant foreign currencies for each of the two years ended 31 December 2017 and six months ended 30 June 2018. 10% is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB appreciates against the relevant currency, while there would be an equal and opposite impact on the post-tax profit where RMB depreciates against the relevant currency.

The Group

	Year ended 31 December		Six months ended 30 June
	2016	2017	2018
	RMB	RMB	RMB
HK\$	2,101,122	472,257	195,795
US\$	(13,377)	(2,645)	(2,676)

The Company

	At 31 December		At 30 June
	2016	2017	2018
	RMB	RMB	RMB
HK\$	N/A	—	371,508

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates primarily to the Group's bank balances, while that of fair value interest rate risk relates primarily to the Group's finance lease receivables, loans to related parties, bank and other borrowings, amounts due to related parties, deposits from finance lease customers and other financial liabilities.

Management closely monitor the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the People's Bank of China are the major sources of the Group's cash flow interest rate risk. No sensitivity analysis on interest rate risk is presented as the management of the Group considered that there would not be a significant change of prevailing interest rate and the exposure of interest rate risk of the Group is insignificant.

Credit risk

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

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

The Group's credit risk is primarily attributable to its finance lease receivables, loans to related parties, security deposit, other receivables and bank balances.

The credit risk on liquid funds (i.e., security deposits and bank balances) is minimal as such amounts are placed in banks with good reputation.

In order to minimise the credit risk of loans to related parties and other receivables, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In relation to finance lease receivables, the Group implemented standardised management procedures over the processes of potential customers selection, the potential customer's due diligence and application, potential customer's credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the management of the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in the PRC, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The business operation department, credit assessment department, legal department, operation management committee, risk management director, finance department and assets management department in charge of different industries and regions are responsible for the management of the credit risks, and periodically report on the quality of assets to the management of the Group. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

(1) Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs due diligence and credit assessment of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

(2) Other specific management and mitigation measures include:

(a) Guarantee and collateral

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

According to the characteristics of the financial lease, the Group has the ownership of the asset under the financial lease during the lease term. The Property Law of the People's Republic of China (the "Property Law") stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the financial lease. The management of the Group evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the financial lease

For financial lease, the ownership of the financial lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report to the insurance company and notify the Group, provide accident report with relevant documents and settle claims to the insurance company.

The Group's concentration of credit risk on finance lease receivables as at 31 December 2016 and 2017 and 30 June 2018 included five major customers accounting for 20.13%, 24.08% and 23.9% of the total balance of finance lease receivables, respectively. The Group has closely monitored the recoverability of the advances to these customers, and taken effective measures to ensure timely collection of outstanding balances.

The Group has closely monitored the business performance of these customers and other than the above, the Group does not have significant concentration of credit risk.

After the adoption of the IFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

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

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The following table shows the Group's credit risk grading framework:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of finance lease receivables is at Stage 1 of which the loss allowance is measured at 12m ECL.

The following table details the risk profile of finance lease receivables as at 30 June 2018.

As at 30 June 2018

	Stage 1	Stage 2	Stage 3	Total
	Collective provision 12m ECL	Collective provision Lifetime ECL not credit-impaired	Individual provision Lifetime ECL credit-impaired	
Total gross carrying amount (RMB)	274,995,223	9,322,222	9,325,428	293,642,873
Weighted average expected credit loss rate	0.18%	11.24%	30.39%	1.49%
Total ECL (RMB)	508,539	1,047,483	2,834,354	4,390,376
Including:				
12m ECL (RMB)	508,539	–	–	508,539
Lifetime ECL (RMB)	–	1,047,483	2,834,354	3,881,837
	508,539	1,047,483	2,834,354	4,390,376

Deposits and other receivables, and loans to related parties

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

Bank balances and cash

The expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation.

Liquidity risk

The Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities by remaining contractual maturities and based on the earliest date on which the Group can be required to pay at the end of each reporting period. The table includes both interest and principal cash flows.

The Group

As at 31 December 2016	Weighted average effective interest rate %	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2016 RMB
Assets									
Finance lease receivables	21.47%	42,410,002	20,801,436	33,731,296	133,861,494	75,694,750	26,277,844	332,776,822	274,212,879
Bank balances and cash	–	6,645,219	–	–	–	–	–	6,645,219	6,645,219
Security deposits	–	21,100,000	–	–	–	–	–	21,100,000	21,100,000
Loans to related parties	4.75%	6,048,880	–	–	31,963,139	–	–	38,012,019	37,134,826
Deposits and other receivables	–	4,775,584	–	–	–	–	–	4,775,584	4,775,584
Total non-derivative financial assets		80,979,685	20,801,436	33,731,296	165,824,633	75,694,750	26,277,844	403,309,644	343,868,508

APPENDIX I

ACCOUNTANTS' REPORT

As at 31 December 2016	Weighted average effective interest rate %	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2016 RMB
Liabilities									
Deposits from finance lease customers	22.92%	–	7,555,666	1,479,399	13,820,962	31,208,919	20,643,102	74,708,048	54,693,393
Bank and other borrowings	8.20%	–	7,266,996	9,685,577	37,195,067	15,119,496	–	69,267,136	66,049,000
Amounts due to related parties	–	26,134,179	–	–	–	–	–	26,134,179	26,134,179
Other payables	–	8,180,038	–	–	20,000,000	–	–	28,180,038	28,180,038
Total non-derivative financial liabilities		34,314,217	14,822,662	11,164,976	71,016,029	46,328,415	20,643,102	198,289,401	175,056,610
As at 31 December 2017	Weighted average effective interest rate %	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2017 RMB
Assets									
Finance lease receivables	19.47%	10,491,899	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	291,639,387	252,239,747
Bank balances and cash	–	4,229,539	–	–	–	–	–	4,229,539	4,229,539
Loans to related parties	–	10,000,000	–	–	–	–	–	10,000,000	10,000,000
Deposits and other receivables	–	1,525,090	–	–	–	–	–	1,525,090	1,525,090
Total non-derivative financial assets		26,246,528	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	307,394,016	267,994,376
Liabilities									
Deposits from finance lease customers	21.56%	–	1,264,585	1,100,987	16,256,199	28,038,351	6,684,031	53,344,153	47,772,551
Bank and other borrowings	12.43%	–	17,833,363	4,946,174	8,111,120	–	–	30,890,657	29,867,109
Amounts due to related parties	–	4,961,998	–	–	–	–	–	4,961,998	4,961,998
Listing costs payables	–	7,893,960	–	–	–	–	–	7,893,960	7,893,960
Other payables	–	10,536,743	–	–	–	–	–	10,536,743	10,536,743
Total non-derivative financial liabilities		23,392,701	19,097,948	6,047,161	24,367,319	28,038,351	6,684,031	107,627,511	101,032,361
As at 30 June 2018	Weighted average effective interest rate %	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 30 June 2018 RMB
Assets									
Finance lease receivables	18.62%	10,130,273	24,410,333	43,426,230	146,429,151	80,957,581	27,779,585	333,133,153	289,252,497
Bank balances and cash	–	13,740,688	–	–	–	–	–	13,740,688	13,740,688
Security deposits	0.35%	–	–	–	384,397	–	–	384,397	383,502
Loans to related parties	–	10,000,000	–	–	–	–	–	10,000,000	10,000,000
Deposit and other receivables	–	1,722,172	–	–	–	–	–	1,722,172	1,722,172
Total non-derivative financial assets		35,593,133	24,410,333	43,426,230	146,813,548	80,957,581	27,779,585	358,980,410	315,098,859
Liabilities									
Deposits from finance lease customers	20.62%	–	1,552,314	1,902,353	15,840,890	25,759,840	9,746,800	54,802,197	49,931,715
Bank and other borrowings	11.71%	–	9,960,202	28,505,502	43,525,672	15,938,257	–	97,929,633	91,885,712
Amounts due to related parties	–	58,606	–	–	–	–	–	58,606	58,606
Listing costs payables	–	2,559,263	–	–	–	–	–	2,559,263	2,559,263
Other payables	–	7,101,594	–	–	–	–	–	7,101,594	7,101,594
Total non-derivative financial liabilities		9,719,463	11,512,516	30,407,855	59,366,562	41,698,097	9,746,800	162,451,293	151,536,890

The Company

As at 30 June 2018	Weighted average effective interest rate %	On demand RMB	Total undiscounted cash flows RMB	Carrying amount at 30 June 2018 RMB
Liabilities				
Amount due to related parties	–	6,954,014	6,954,014	6,954,014

Fair value

The fair value of the Group's financial assets and financial liabilities is determined based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

30. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group has commitments for minimum lease payments under non-cancellable operating leases were payable as follows:

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Within one year	1,653,270	1,433,311	741,437
In the second year	306,903	41,950	66,900
	<u>1,960,173</u>	<u>1,475,261</u>	<u>808,337</u>

31. PLEDGE OF ASSETS

The following assets have been pledged to various banks or independent third parties for securing the borrowings of the Group at the end of each reporting period.

	At 31 December 2016 RMB	2017 RMB	At 30 June 2018 RMB
Finance lease receivables	122,888,949	81,650,294	203,975,405
Security deposits	21,100,000	–	383,502
	<u>143,988,949</u>	<u>81,650,294</u>	<u>204,358,907</u>

32. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed elsewhere in this report, the Company had also entered into the following significant related party transactions during the Track Record Period.

Name of related parties	Relationship	Nature of transactions	Year ended 31 December		Six months ended 30 June	
			2016 RMB	2017 RMB	2017 RMB (unaudited)	2018 RMB
Xin You (<i>note</i>)	Related party	Finance lease revenue	104,125	394,991	129,537	296,295
Mr. Chow Chuen Chung (<i>note</i>)	Related party	Rental expense	1,128,977	1,232,430	593,699	647,082

Note: These transactions constitute connected transactions pursuant to the GEM Listing Rules and will continue after the Listing.

Details of the balances with related parties are set out in notes 16 and 18, and the details of the Group's bank borrowings which were guaranteed by related parties are set out in note 23.

(b) Compensation of key management personnel

	Year ended 31 December		Six months ended 30 June	
	2016 RMB	2017 RMB	2017 RMB (unaudited)	2018 RMB
Salaries, bonus and other benefits	1,008,780	1,227,063	491,568	523,200
Retirement benefits scheme contributions	173,915	210,636	103,004	117,212
	1,182,695	1,437,699	594,572	640,412

The remuneration of directors and key executive with reference to the performance of individuals and market trends.

33. FINANCIAL INFORMATION OF THE COMPANY

(a) Investment in a subsidiary

	As at 31 December 2017 RMB	As at 30 June 2018 RMB
Unlisted shares, at cost	—	138,384,857

Investment in a subsidiary represents the investment cost made by the Company in Metropolis Asia as a result of the completion of Group Reorganisation on 8 March 2018, by the issue of 49,999 shares of the Company at HK\$0.01 each to View Art, the prior shareholder of Metropolis Asia, which are under common control of Mr. Chau.

(b) Movements of the Company's reserves

	Share premium RMB	Accumulated losses RMB	Total RMB
On 29 June 2017 (date of incorporation) and 31 December 2017	—	—	—
Loss and total comprehensive expense for the period	—	(2,484,357)	(2,484,357)
Issue of shares to View Art as to acquire Metropolis Asia for the completion of Group Reorganisation on 8 March 2018	138,384,453	—	138,384,453
As at 30 June 2018	138,384,453	(2,484,357)	135,900,096

34. PARTICULARS OF SUBSIDIARIES

At the date of this report, particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Paid-in capital	Shareholding/equity interest attributable to owner of the Company as at			the date of this report	Principal activities	Notes
			31/12/2016	31/12/2017	30/06/2018			
<i>Directly held:</i>								
Metropolis Asia	BVI 25 May 2009	US\$50,000	100%	100%	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>								
Metropolis International Investment Holding (Hong Kong) Company Limited (信都國際投資控股集團(香港)有限公司) (“Metropolis Hong Kong”)	Hong Kong 18 June 2009	HK\$10,000	100%	100%	100%	100%	Investment holding	(b)
Metropolis Leasing	The PRC 20 October 2009	US\$26,000,000	100%	100%	100%	100%	Provision of finance lease services, factoring and other services	(c)
Xinren Finance Leasing (Shanghai) Co., Ltd. (信仁融資租賃(上海)有限公司) (“Xinren Leasing”)	The PRC 14 June 2014	Nil (not yet paid)	100%	–	–	–	Dormant and inactive	(d)

Notes:

- (a) No audited financial statements have been prepared for Metropolis Asia since the date of its incorporation as there is no such statutory requirement.
- (b) The financial statements of Metropolis Hong Kong for the year ended 31 December 2016 and 2017 were prepared in accordance the Small and Medium-sized Entity Financial Reporting Standard and the Hong Kong Companies Ordinance and were audited by TAKA CPA LIMITED, a certified public accountant registered in Hong Kong.

- (c) The statutory financial statements of Metropolis Leasing for the year ended 31 December 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Shanghai Hui Hong Certified Public Accountants Co., Ltd. (上海匯洪會計師事務所有限公司), a certified public accountant registered in the PRC.
- (d) Xinren Leasing was inactive and did not carry out any business since its establishment. No statutory financial statements had been prepared during the Track Record Period as it was not mandatory for Xinren Leasing to issue audited financial statements under the local statutory requirements. The management of the Group has completed the deregistration of Xinren Leasing on 30 October 2017.

35. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of the directors' remuneration and benefits in kind for the year ending 31 December 2018 is estimated to be approximately RMB700,000 (excluding discretionary bonus).

36. EVENT AFTER THE REPORTING PERIOD

The following event took place subsequent to the end of the reporting period:

- (i) On 23 November 2018, the written resolutions of the sole shareholder were passed to approve the matters set out in "Appendix IV – 4. Resolutions in writing of our sole Shareholder passed on 23 November 2018" to the Prospectus. It was resolved, among other things:
 - the authorised share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional of 3,962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects;
 - the directors of the Company were authorised to capitalise, conditional on the share premium account of the Company being credited as a result of the Share Offer, an amount of HK\$5,999,500 standing to the credit of the share premium account of the Company which will be capitalised to pay up in full at par 599,950,000 shares for allotment and issue to the person(s) whose name(s) appear on the register of members of the Company at the close of business on 23 November 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company, each ranking pari passu in all respects with the shares then in issue, and the directors of the Company were authorised to give effect to such capitalization and distributions.
- (ii) On 23 November 2018, the share option scheme was conditionally approved and adopted by the Board of Directors of the Company, of which the principal terms are set out in "Appendix IV – E. Share Option Scheme" to the Prospectus.
- (iii) On 23 November 2018, the Company has appointed Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lo Kai Tung as independent non-executive directors of the Company. Further details are set out in "Directors and Senior Management" section of the Prospectus.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2018 and up to the date of this report.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 31 December 2017 and the six months ended 30 June 2018 (the "Track Record Period") (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owner of the Company which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the proposed public offer and placing of the Company's shares (the "Share Offer") as if it had taken place on 30 June 2018. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owner of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed on 30 June 2018 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 as shown in the Accountants' Report of the Group as set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 RMB (Note 1)	Estimated net proceeds from the Share Offer RMB (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 RMB	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 per Share RMB (Note 3)	HK\$ (Note 4)
Based on the share offer price of HK\$0.50 per share	167,569,236	65,126,714	232,695,950	0.29	0.35
Based on the share offer price of HK\$0.45 per share	167,569,236	57,479,655	225,048,891	0.28	0.33
Based on the share offer price of HK\$0.39 per share	167,569,236	48,303,184	215,872,420	0.27	0.32

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owner of the Company as at 30 June 2018 is arrived at after deducting intangible assets of RMB2,573,457 from the audited consolidated net assets of RMB170,142,693 attributable to owner of the Company as at 30 June 2018 as extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the new shares pursuant to the proposed Share Offer are based on 200,000,000 new shares at the Offer Price of lower limit, mid point and higher limit of HK\$0.39, HK\$0.45 and HK\$0.50 per new share, respectively, after deduction of the underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss prior to 30 June 2018.

The calculation of such estimated net proceeds does not take into account of any shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase shares as referred to in the sections headed "Resolutions in writing of our sole Shareholder passed on 23 November 2018" in Appendix IV to this prospectus or "Share Capital – General Mandate Given to the Directors to Repurchase Shares" in this prospectus. The estimated net proceeds from the proposed Share Offer are converted from Hong Kong dollars into Renminbi ("RMB") at an exchange rate of HK\$1.00 to RMB0.84 with reference to the rate published by the People's Bank of China on 30 June 2018. No representation is made that Hong Kong dollars amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 June 2018 per share is calculated based on 800,000,000 share in issue immediately following the completion of the proposed Share Offer and the Capitalisation Issue. It does not take into account of any shares which may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase shares as referred to in the sections headed "Resolutions in writing of our sole Shareholder passed on 23 November 2018" in Appendix IV to this prospectus or "Share Capital – General Mandate Given to the Directors to Repurchase Shares" in this prospectus.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owner of the Company per share is converted from RMB into Hong Kong dollars at the rate of RMB1.00 to HK\$1.19 with reference to the rate published by the People's Bank of China on 30 June 2018. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that 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 attributable to the owner of the Company as at 30 June 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2018.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Metropolis Capital Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Metropolis Capital Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared 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 30 June 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 November 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "Share Offer") on the Group's financial position as at 30 June 2018 as if the proposed Share Offer had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 December 2017 and the six months ended 30 June 2018, on which an accountants' report set out in Appendix I to the 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 GEM 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 (the "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.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA 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 an investment circular is solely to illustrate the impact of a significant event or transaction on 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 30 June 2018 would have been as presented.

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' judgment, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 November 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 June 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 November 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

2.1.2 *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting,

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

2.2.1 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.4.2 Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.4.5 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

2.4.6 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.7 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 June 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 19 July 2017.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

4 GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 29 June 2017. Our Company has established its principal place of business in Hong Kong at 18th Floor, United Centre, 95 Queensway, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 1 August 2017. Ms. Wong Wai Han of 18th Floor, United Centre, 95 Queensway, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, the corporate structure and the Memorandum of Association and the Articles are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of the Memorandum of Association and the Articles and certain aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares at a par value of HK\$0.01 each.

The following sets out the changes in the share capital since the date of our Company's incorporation:

- (a) On 29 June 2017, one fully paid Share was allotted and issued to the initial subscriber. On the same day, the aforementioned one Share was transferred to View Art by the initial subscriber.
- (b) On 8 March 2018, our Company acquired the entire issued shares of Metropolis Asia from View Art. The consideration for the said acquisition was satisfied by allotment and issue of 49,999 Shares by our Company to View Art, credited as fully paid.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 23 November 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 shares of a par value of HK\$0.01 each by the creation of an additional 3,962,000,000 Shares in the authorised share capital of our Company, each ranking pari passu with our Shares then in issue in all respects.

- (d) Conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors will be authorised to capitalise the amount of HK\$5,999,500 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 599,950,000 Shares to be allotted and issued to the Shareholder whose name is on the register of members prior to the Share Offer pro rata to its then existing shareholding in our Company.
- (e) Immediately following completion of the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid and 3,200,000,000 Shares in the authorised share capital will remain unissued. Other than pursuant to the exercise of any option that may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the above and as mentioned in the paragraph headed “A. Further information about our Company – 4. Resolutions in writing of our sole Shareholder passed on 23 November 2018” below in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, reorganisation and corporate structure”, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our sole Shareholder passed on 23 November 2018

Pursuant to the resolutions in writing of our sole Shareholder passed 23 November 2018:

- (a) the Memorandum and the Articles of Association were approved and adopted and effective on the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 3,962,000,000 new Shares, each ranking pari passu with our Shares then in issue in all respects;

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price being fixed on or around the Price Determination Date; (iii) the execution and delivery of the Underwriting Agreement on or around 29 November 2018; and (iv) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:

- (1) the Capitalisation Issue and the Share Offer were approved and our Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Capitalisation Issue and the Share Offer;
- (2) the proposed Listing was approved and our Directors were authorised to implement the Listing;
- (3) conditional upon the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,500 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,950,000 Shares for allotment and issue to the sole Shareholder of our Company whose name appeared on the register of members of our Company as at the close of business on the date which the said resolution has been passed (or another date as our Directors may direct) to their respective shareholdings in our Company, and the Shares allotted and issued shall carry the same rights as the then existing issued Shares;
- (4) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the total number of Shares allotted or agreed to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (C) a specific authority granted by the sole Shareholder in general meeting, shall not exceed the aggregate of:
 - (i) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and

- (ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (5) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of our next annual general meeting, (B) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or (C) the date on which the resolution is varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting (the “**Relevant Period**”) (the “**Issue Mandate**”);
- (5) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules with an aggregate of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, such mandate to remain in effect during the Relevant Period (the “**Repurchase Mandate**”); and
- (6) the Issue Mandate as referred to in sub-paragraph (4) above was extended by the addition to the aggregate number of the Share which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Share repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (5) above provided that such extended amount shall not exceed 10% of the number of the Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme.

5. Corporate reorganisation

In preparation for the Listing, our Group underwent the Reorganisation. Please refer to “History, reorganisation and corporate structure” for further details.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provision of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by ordinary resolutions of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing passed by the sole Shareholder on 23 November 2018, our Directors were granted a general unconditional mandate to repurchase up to 10% of the total number of Shares in issue immediately following the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any options to be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. Such mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting, (ii) the date by which our Company's next general meeting is required by applicable laws and the Articles of Association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of the Shareholders in a general meeting.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the number of issued shares of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate number of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority to execute repurchases of the Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules, the Companies Ordinance and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would,

in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Share capital

The exercise in full of the current Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the Relevant Period.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any of the Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles, the Companies Ordinance and any other applicable laws of Hong Kong.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No core connected person of our Company has notified our Group that he or she or it has a present intention to sell his or her or its Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:




- (a) an instrument of transfer dated 8 March 2018 entered into between View Art Investment Limited as transferor and our Company as transferee for the transfer of 50,000 shares of Metropolis Asia Ltd. from View Art Investment Limited to our Company in the consideration for the allotment and issue of 49,999 Shares to View Art Investment Limited;

- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Underwriting Agreement.

2. Intellectual property rights

(i) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material in relation to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1		Metropolis Leasing	PRC	36 (<i>Note</i>)	19123095	7 June 2017 – 6 June 2027
2.	(a) 	Metropolis Hong Kong	Hong Kong	36 (<i>Note</i>)	304156155	31 May 2017 – 30 May 2027
	(b) 					

Note:

Class 36: Insurance information; funds investment; capital investment; financial services; financing leases; immovable assets agency; agency; guarantee; trust; pledge

(ii) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Name of registered owner	Date of registration	Expiry date
metropolis-leasing.com	Metropolis Leasing	5 November 2009	5 November 2020

C. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(i) Interests and short positions of the Directors in the share capital and the associated corporations following the completion of the Capitalisation Issue and Share Offer

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), the interests of the Directors and chief executives in the equity or debt securities 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 under 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), or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or under the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case, once the Shares are listed will be as follows:

Name of Director/ Chief executive	Capacity/ Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Mr. Chau David (Note 3)	Interest in a controlled corporation	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position of the Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).
- (3) Mr. Chau David beneficially and wholly owns View Art, which in turn holds approximately 75% of the issued share capital of our Company upon completion of the Capitalisation Issue and Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art for the purpose of the SFO.

(ii) Interests and short positions of the substantial Shareholders in the share capital of our Company following the completion of the Capitalisation Issue and the Share Offer

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of the subsidiaries:

Name of Shareholders	Capacity/ Nature of interest	Number of Underlying Shares (Note 1)	Approximate percentage of shareholding (Note 2)
View Art (Note 3)	Beneficial owner	600,000,000 (L)	75%

Notes:

- (1) The letter “L” denotes long position of the Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).
- (3) Mr. Chau David beneficially and wholly owns View Art, which in turn holds approximately 75% of the issued share capital of our Company upon completion of Capitalisation Issue and Share Offer (without taking into account the Shares to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art for the purpose of the SFO.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts**

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial period of three years commencing from the Listing Date which may only be terminated in accordance with the provisions of the service contract or by either our Company or any of our executive Directors giving the other party not less than three months' prior notice in writing.

Each of our executive Directors is entitled to a basic salary as set out below, subject to an annual review by the remuneration committee of our Board during the term. The annual remuneration of our executive Directors provided under the service contracts are as follows:

Name	Annual remuneration (RMB)
Mr. Chau David	360,000
Ms. Zhou Hui	300,000

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company for an initial term of three years commencing from the Listing Date with the following annual remuneration:

Name	Annual remuneration (RMB)
<i>Non-executive Director</i>	
Ms. Chau On	120,000
	(HK\$)
<i>Independent non-executive Directors</i>	
Mr. Lau Chung Wai	120,000
Mr. Mo Luojiang	120,000
Mr. Lo Kai Tung	120,000

Save for directors' fees, none of the non-executive and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive or an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

- (a) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were approximately RMB0.7 million, RMB0.7 million and RMB0.3 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) paid or payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors) for the year ending 31 December 2018 are expected to be approximately RMB0.8 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, as an inducement to join or upon joining our Group or 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.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executives has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning 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 or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (b) none of the Directors or experts referred to under the paragraph headed "7. Qualifications 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;

- (c) none of the Directors 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;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which have been or will be granted under the Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the total number of Shares in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the resolutions in writing of the sole Shareholder passed on 23 November 2018:

1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Company.

2. Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any full-time or part-time employees, executives or officers of our Group;
- (b) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of our Group; and

- (c) any suppliers, customers, consultants, agents, advisers, franchisees, joint venture partners and related entities to our Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants contribution to the development and growth of our Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 30% of our Company's issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to 80,000,000 Shares (the "**General Mandate Limit**").
- (c) Subject to (a) above and without prejudice to (d), our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of its shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to its shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the Shares in issue (the “**Individual Limit**”).
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of the Shareholders in general meeting with such participant and his close associates abstaining from voting (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.
- (c) In addition to the Shareholders’ approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive or substantial Shareholder or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (d) Where any grant of options to any Director, chief executive or substantial Shareholder or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate more than 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders. Our Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

5. Minimum period of holding an option and performance target

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

6. Subscription price for Shares

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and (iii) the nominal value of the Shares. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

7. Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

8. Time of acceptance

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

9. Rights on ceasing employment or death

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Group for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group, whether salary is paid in lieu of notice or not, failing which it will lapse.

If the grantee of an option, who is an employee of our Group at the time of the grant of the option, ceases to be an employee of our Company by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group, whether salary is paid in lieu of notice or not (or such longer period as the Directors may determine), failing which it will lapse.

10. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to the Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time within fourteen (14) days thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

11. Rights on winding-up

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two Business Days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

12. Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of our Company's Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

13. Duration of the Share Option Scheme

Unless terminated by our Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption.

14. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of the Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

15. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in the sub-paragraph headed “Maximum number of Shares” above, and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to

time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

16. Cancellation of options

The Directors may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as the Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in the sub-paragraph headed “Maximum number of Shares” above.

17. Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (a) the Share Option Scheme being approved and adopted by the Shareholders in a general meeting or by way of written resolution of the Shareholders;
- (b) the granting of the approval by the Stock Exchange for the Listing of, and permission to deal in, the Shares on GEM being obtained and the commencement of dealings in the Shares on GEM; and
- (c) the Listing Committee granting the Listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

18. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

19. Status of the GEM Listing Rules

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the GEM Listing Rules shall prevail.

20. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee for the Listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

F. OTHER INFORMATION**1. Tax and other indemnity**

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for its subsidiaries), pursuant to which the Indemnifiers shall jointly and severally indemnify each of the members of our Group against, among other things, (a) taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received (or alleged to have been earned, accrued or received) on or before the date on which the Deed of Indemnity becomes unconditional and all reasonable costs, expenses and losses which any member of our Group may properly incur in connection therewith; (b) all claims, liabilities, penalties, damages, charges, fees, fines and reasonable costs, expenses and losses incurred by any member of our Group resulting from or in respect of any litigation, arbitration, claims, complaints, demand and/or legal proceedings, any violation or non-compliance with the applicable laws, rules and regulations by any member of our Group on or before the date on which the Deed of Indemnity becomes unconditional; and (c) all claims, liabilities, damages, charges, fees, fines and reasonable costs, expenses and losses incurred by any members of our Group resulting from or in respect of any intellectual property claim, litigation, arbitration and/or legal proceedings against any members of our Group on or before the date on which the Deed of Indemnity becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Neither our Company nor any of the subsidiaries are involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

3. The Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Offer Shares and any Shares falling to be issued pursuant to the Capitalisation Issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK\$34,000 and are payable by our Company.

5. Sole Sponsor's fees

The Sole Sponsor's fees of our Company are HK\$6.0 million and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (WUMP) Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Octal Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Appleby	Cayman Islands legal advisers
DeHeng Law Offices (Shenzhen)	PRC legal advisers
Deloitte Touche Tohmatsu	Certified public accountants
Beijing Heading Century Consulting Co. Ltd.	Industry consultant

8. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their statements, opinions, reports and/or letters, all of which are dated the date of this prospectus, and/or the references to their names in the form and context in which they are respectively included in this prospectus, all of which are dated the date of this prospectus.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission as referred to paragraph headed “Commission and expenses” under the section headed “Underwriting” in this prospectus.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 June 2018 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the parties listed in “7. Qualifications of experts” in this appendix has any direct or indirect interest in the promotion of our Company or any of the subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of the subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of the subsidiaries;
- (b) none of the Directors nor any of the parties listed in “7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business;
- (c) none of the parties listed in “7. Qualifications of experts” in this appendix:
 - (i) is interested legally or beneficially in any of the Shares or any shares in any of the subsidiaries;
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities;
- (d) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (e) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (f) our Company has not issued or agreed to issue any founder shares, management shares or deferred shares;

- (g) our Company has no outstanding convertible debt securities;
- (h) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and our Company has not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (i) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company;
- (j) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of the promoters of our Company nor is any such securities or amount or benefit intended to be paid or allotted or given;
- (k) there has been no material adverse change in the financial or trading position or prospects of our Company since 30 June 2018, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
- (l) there is no arrangement under which future dividends are waived or agreed to be waived;
- (m) as at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;
- (n) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus;
- (o) the English text of this prospectus shall prevail over the Chinese text; and
- (p) none of our Company or any of the subsidiaries is presently listed on any stock exchange or traded on any trading system.

12. 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 the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. Bilingual prospectus

The English language 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 of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

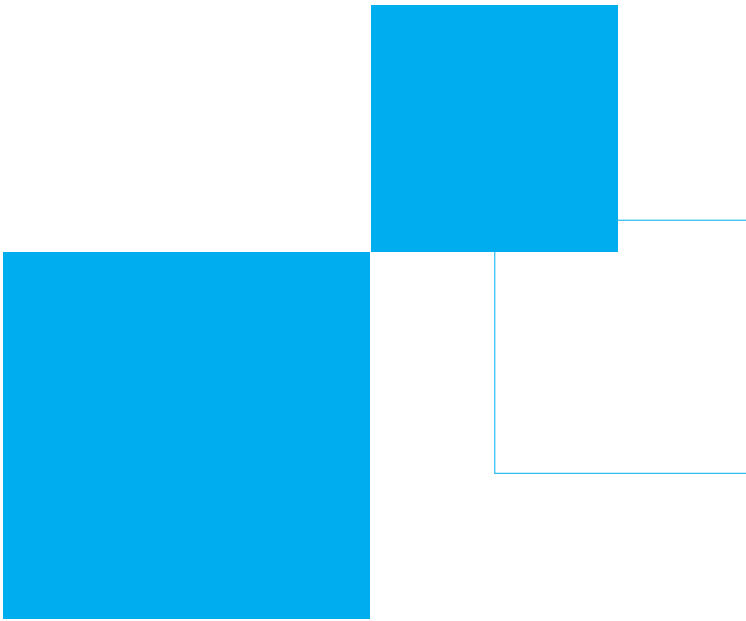
DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “F. Other information – 8. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood of 18th Floor, United Centre, 95 Queensway, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the audited consolidated financial statements of our Company for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 included in the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
- (d) the audited financial statements of the companies comprising our Group for the years ended 31 December 2016 and 2017;
- (e) the legal opinions prepared by DeHeng Law Offices (Shenzhen), our PRC Legal Advisers, in respect of the operations and properties interest of our Group;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the Industry Report;
- (i) the Share Option Scheme;
- (j) the service agreements and letters of appointment referred to in the paragraph “D. Further information about our Directors – 1. Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (l) the written consents referred to in the paragraph headed “F. Other information – 8. Consents of experts” in Appendix IV to this prospectus.



METROPOLIS CAPITAL HOLDINGS LIMITED

