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Byleasing Holdings Limited

百應租賃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8525)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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 of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

INTERIM RESULTS

The board (the “**Board**”) of Directors is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2019 (the “**Reporting Period**”), together with comparative figures for the corresponding period in 2018 prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) promulgated by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited

*(Expressed in Renminbi (“**RMB**”))*

		Six months ended 30 June	
		2019	2018
	Note	RMB	(Note) RMB
Interest income		28,092,156	38,540,728
Advisory fee income		1,209,529	2,374,340
Revenue	4	29,301,685	40,915,068
Other net income		1,044,842	615,131
Interest expense		(7,498,121)	(12,911,312)
Operating expense		(5,672,637)	(10,678,579)
Impairment losses charged	5	(7,613,734)	(1,520,991)
Profit before taxation	6	9,562,035	16,419,317
Income tax expense	7	(2,558,503)	(3,903,197)
Profit for the period		7,003,532	12,516,120
Attributable to:			
Equity shareholders of the Company		7,003,532	12,516,120
Profit for the period		7,003,532	12,516,120
Earnings per share			
Basic and diluted (RMB cents)	8	2.59	6.18

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		<i>(Note)</i>
	RMB	RMB
Profit for the period	7,003,532	12,516,120
Other comprehensive income for the period (after tax):		
Item that may be classified subsequently to profit or loss		
– Exchange differences on translation of financial statements of operations outside the mainland China	(137,122)	84,252
Total comprehensive income for the period	6,866,410	12,600,372
Attributable to:		
Equity shareholders of the Company	6,866,410	12,600,372
Total comprehensive income for the period	6,866,410	12,600,372

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in RMB)

		At 30 June 2019	At 31 December 2018 (Note)
	Note	RMB	RMB
Non-current assets			
Property and equipment	9	2,167,586	586,089
Intangible assets		663,866	267,009
Loans and receivables	10	64,646,164	–
Finance lease receivables	11	139,657,082	236,237,470
Trade and other receivables	12	308,435	325,416
Deferred tax assets		7,368,405	5,922,957
		<u>214,811,538</u>	<u>243,338,941</u>
Current assets			
Loans and receivables	10	38,144,263	–
Finance lease receivables	11	198,122,330	176,556,656
Trade and other receivables	12	32,601,168	799,180
Pledged and restricted deposits		1,000,000	–
Cash and cash equivalents	13	30,937,379	98,602,193
		<u>300,805,140</u>	<u>275,958,029</u>
Current liabilities			
Borrowings		147,000,000	165,000,000
Trade and other liabilities	14	41,372,867	29,277,456
Lease liabilities	3(c)	912,023	–
Income tax payable		4,193,224	4,546,805
		<u>193,478,114</u>	<u>198,824,261</u>
Net current assets		<u>107,327,026</u>	<u>77,133,768</u>
Total assets less current liabilities		<u>322,138,564</u>	<u>320,472,709</u>

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited (continued)

(Expressed in RMB)

		At 30 June 2019	At 31 December 2018 (Note)
	<i>Note</i>	<i>RMB</i>	<i>RMB</i>
Non-current liabilities			
Trade and other liabilities	<i>14</i>	44,210,378	49,627,706
Lease liabilities	<i>3(c)</i>	756,773	–
Deferred tax liabilities		–	540,000
		<u>44,967,151</u>	<u>50,167,706</u>
NET ASSETS		<u>277,171,413</u>	<u>270,305,003</u>
CAPITAL AND RESERVES			
Share capital		2,301,857	2,301,857
Share premium		238,097,760	238,097,760
Reserves		<u>36,771,796</u>	<u>29,905,386</u>
TOTAL EQUITY		<u>277,171,413</u>	<u>270,305,003</u>

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company						Total equity RMB
	Share capital RMB	Share premium RMB	Capital reserve RMB	Surplus reserve RMB	Exchange reserve RMB	Retained profits RMB	
Balance at 1 January 2018	169	176,074,003	(6,640,176)	6,272,270	(13,015)	5,431,649	181,124,900
Changes in equity for the six months ended 30 June 2018:							
Profit for the period	–	–	–	–	–	12,516,120	12,516,120
Other comprehensive income	–	–	–	–	84,252	–	84,252
Total comprehensive income	–	–	–	–	84,252	12,516,120	12,600,372
Balance at 30 June 2018 and 1 July 2018	169	176,074,003	(6,640,176)	6,272,270	71,237	17,947,769	193,725,272
Changes in equity for the six months ended 31 December 2018:							
Profit for the period	–	–	–	–	–	10,664,861	10,664,861
Other comprehensive income	–	–	–	–	1,589,425	–	1,589,425
Total comprehensive income	169	176,074,003	(6,640,176)	6,272,270	1,660,662	28,612,630	205,979,558
Appropriation to statutory reserve	–	–	–	202,123	–	(202,123)	–
Capitalisation issue	1,726,223	(1,726,223)	–	–	–	–	–
Issuance of shares through the Listing	575,465	63,749,980	–	–	–	–	64,325,445
Balance at 31 December 2018 (Note)	<u>2,301,857</u>	<u>238,097,760</u>	<u>(6,640,176)</u>	<u>6,474,393</u>	<u>1,660,662</u>	<u>28,410,507</u>	<u>270,305,003</u>

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2019 – unaudited (continued)**(Expressed in RMB)*

	Attributable to equity shareholders of the Company						Total equity RMB
	Share capital RMB	Share premium RMB	Capital reserve RMB	Surplus reserve RMB	Exchange reserve RMB	Retained profits RMB	
Balance at 1 January 2019	2,301,857	238,097,760	(6,640,176)	6,474,393	1,660,662	28,410,507	270,305,003
Changes in equity for the six months ended 30 June 2019:							
Profit for the period	–	–	–	–	–	7,003,532	7,003,532
Other comprehensive income	–	–	–	–	(137,122)	–	(137,122)
Total comprehensive income	–	–	–	–	(137,122)	7,003,532	6,866,410
Balance at 30 June 2019	<u>2,301,857</u>	<u>238,097,760</u>	<u>(6,640,176)</u>	<u>6,474,393</u>	<u>1,523,540</u>	<u>35,414,039</u>	<u>277,171,413</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB	RMB
Operating activities		
Cash (used in)/generated from operations	(8,751,746)	26,426,339
Tax paid	(4,968,873)	(8,956,960)
Net cash (used in)/generated from operating activities	(13,720,619)	17,469,379
Investing activities		
Interest received from deposits with financial institutions	181,226	77,369
Net cash inflow for wealth management product	731,453	482,850
Proceeds from disposal of property and equipment	710	–
Payment of purchase of equipment	(6,320)	(42,172)
Payment for purchase of intangible assets	(424,366)	–
Advances to a related party	(32,000,000)	–
Repayment from a related party	116,221	527,000
Net cash (used in)/generated from investing activities	(31,401,076)	1,045,047

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited (continued)

(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		(Note)
Note	RMB	RMB
Financing activities		
Deemed contribution arising from reorganisation	–	609,549
Proceeds from borrowings	30,000,000	80,000,000
Repayment of borrowings	(48,000,000)	(90,000,000)
Payments for listing expenses	–	(427,761)
Interest element of lease rentals paid	(51,828)	–
Other interest paid	(3,970,997)	(8,473,258)
Capital element of lease rentals paid	(383,172)	–
Net cash used in financing activities	(22,405,997)	(18,291,470)
Net (decrease)/increase in cash and cash equivalents	(67,527,692)	222,956
Cash and cash equivalents at 1 January	98,602,193	11,183,137
Effect of foreign exchange rate change	(137,122)	84,252
Cash and cash equivalents at 30 June	13 30,937,379	11,490,345

Note: Our Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands as an exempted company with limited liability on 5 June 2017.

To rationalise the corporate structure in preparation of the listing of the Company's shares on GEM of the Exchange, the Company and its subsidiaries underwent a reorganisation (the "**Reorganisation**"). Upon completion of the Reorganisation on 16 November 2017, the Company became our Group's holding company.

The Company's issued shares (the "**Shares**") have been listed on GEM of the Exchange since 18 July 2018 (the "**Listing**").

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the HKICPA. It was authorised for issue on 13 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of our Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of our Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how our Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. Our Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

Our Group has initially adopted HKFRS 16 as from 1 January 2019. Our Group has elected to use the modified retrospective approach. Under the transition methods chosen, there is no significant cumulative effect of the initial application of HKFRS 16 recognised by our Group as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Our Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, our Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, our Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as our Group is concerned, these newly capitalised leases are primarily in relation to property as disclosed in note 17.

When our Group enters into a lease in respect of a low-value asset, our Group decides whether to capitalise the lease on a lease-by-lease basis. For our Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where our Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether our Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

Our Group is the finance leasing company which primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback.

As a lessor, our Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale, upon application of HKFRS 16. For a transfer that does not satisfy the requirements as a sale, our Group accounts for the transfer proceeds as loans and receivables within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed but the new requirements impact our Group's sale and leaseback transactions entered into on and after 1 January 2019.

The accounting policies applicable to our Group as a lessor in direct finance leasing business remain substantially unchanged from those under HKAS 17.

(b) Transitional impact

Our Group has initially adopted HKFRS 16 as from 1 January 2019. At the date of transition to HKFRS 16, our Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.225%.

To ease the transition to HKFRS 16, our Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) When measuring the lease liabilities at the date of initial application of HKFRS 16, our Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (ii) When measuring the right-of-use assets at the date of initial application of HKFRS 16, our Group relied on the previous assessment as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 17 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB
Operating lease commitment at 31 December 2018	2,234,500
Less: total future interest expenses	(146,531)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	2,087,969
Lease liabilities recognised at 1 January 2019	2,087,969

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS16 on leases previously classified as finance leases is concerned, our Group is not required to make any adjustment at the date of initial application of HKFRS16.

Our Group presents right-of-use assets in property and equipment and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on our Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 <i>RMB</i>	Capitalisation of operating lease contracts <i>RMB</i>	Carrying amount at 1 January 2019 <i>RMB</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property and equipment	586,089	2,087,969	2,674,058
Total non-current assets	243,338,941	2,087,969	245,426,910
Trade and other liabilities	29,277,456	–	29,277,456
Lease liabilities (current)	–	912,023	912,023
Current liabilities	198,824,261	912,023	199,736,284
Net current assets	77,133,768	(912,023)	76,221,745
Total assets less current liabilities	320,472,709	1,175,946	321,648,655
Lease liabilities (non-current)	–	1,175,946	1,175,946
Total non-current liabilities	50,167,706	1,175,946	51,343,652
Net assets	270,305,003	–	270,305,003

(c) **Lease liabilities**

The following table shows the remaining contractual maturities of our Group's lease liabilities at the end of the Reporting Period and at the date of transition to HKFRS 16:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments <i>RMB</i>	Total minimum lease payments <i>RMB</i>	Present value of the minimum lease payments <i>RMB</i>	Total minimum lease payments <i>RMB</i>
Within 1 year	912,023	942,000	912,023	942,000
After 1 year but within 2 years	756,773	821,500	855,070	930,000
After 2 year but within 5 years	–	–	320,876	362,500
	<u>756,773</u>	<u>821,500</u>	<u>1,175,946</u>	<u>1,292,500</u>
	<u>1,668,796</u>	<u>1,763,500</u>	<u>2,087,969</u>	<u>2,234,500</u>
Less: total future interest expenses		<u>(94,704)</u>		<u>(146,531)</u>
Present value of lease liabilities		<u>1,668,796</u>		<u>2,087,969</u>

4 REVENUE

The principal activities of our Group are providing equipment based financing solutions, factoring services, and value-added advisory services to customers in the PRC.

No segment information is presented as our Group is principally engaged in a single line of business. Revenue represents interest income and advisory fee net of value added taxes and other charges.

The amount of each significant category of revenue is as follows:

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		RMB	RMB
Interest income from			
Finance leases receivables		24,841,979	38,411,413
Receivables from sale-leaseback transaction under loans and receivables		3,186,403	–
Factoring receivables		63,774	129,315
		28,092,156	38,540,728
Advisory fee income	(ii)	1,209,529	2,374,340
		29,301,685	40,915,068

Notes:

- (i) Our Group has two lessees and two lessees for the six months ended 30 June 2019 and 2018 respectively, with whom transactions have exceeded 10% of our Group's aggregate revenues. Such revenue from the lessees is set out below:

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Lessee A	4,098,635	*
Lessee B	3,619,277	4,323,802
Lessee C	–	7,829,590

Note: * Revenue from lessee A was less than 10% in the six months period ended 30 June 2018.

- (ii) Advisory fee income arises from contracts with customers within the scope of HKFRS 15, and is recognised at a point in time.

5 IMPAIRMENT LOSSES CHARGED

		Six months ended 30 June	
		2019	2018
		RMB	RMB
	Note		(Note)
Finance lease receivables	11	3,816,783	2,035,270
Trade and other receivables	12	1,142,745	(21,051)
Loans and receivables	10	2,654,206	(493,228)
		<u>7,613,734</u>	<u>1,520,991</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2019	2018
		RMB	RMB
(a) Staff cost			
Contributions to defined contribution retirement plan		178,485	136,950
Salaries, wages and other benefits		2,576,206	2,936,179
		<u>2,754,691</u>	<u>3,073,129</u>
(b) Other items			
Depreciation			
– owned equipment		70,792	32,230
– right-of-use assets		440,227	–
Interest on lease liabilities		51,828	–
Amortisation		44,490	24,978
Listing expenses		–	5,938,314
Auditor's remuneration		339,623	–
Legal expenses		397,752	76,509
Operating lease charges in respect of properties		–	485,160

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss:

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Current tax		
– PRC Enterprise Income Tax (“EIT”) Provision for the period	3,977,204	5,057,365
– Under/(over)-provision in respect of prior years	26,747	(266,107)
Deferred tax		
– Origination of temporary differences	(1,445,448)	(888,061)
	<u>2,558,503</u>	<u>3,903,197</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Profit before taxation	<u>9,562,035</u>	<u>16,419,317</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	2,524,607	4,155,567
Tax effect of non-deductible expenses	7,149	13,737
Under/(over)-provision in respect of prior years	<u>26,747</u>	<u>(266,107)</u>
Income tax expense for the period	<u>2,558,503</u>	<u>3,903,197</u>

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB2.59 cents (six months ended 30 June 2018: RMB6.18 cents) and the weighted average of 270,000,000 ordinary shares (2018: 202,500,000 shares, assuming that the issue of 202,480,000 shares pursuant to the Listing had been effective on 1 January 2018) in issue during the interim period.

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during six months ended 30 June 2019 (six months ended 30 June 2018: nil), and hence the diluted earnings per share are the same as basic earnings per share.

9 PROPERTY AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 3, our Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of our Group's right-of-use assets by class of underlying asset are set out in note 3.

During the six months ended 30 June 2019, our Group has no new lease agreement.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, our Group acquired items of office equipment with a cost of RMB6,320 (six months ended 30 June 2018: RMB42,172).

Items of office equipment with a net book value of RMB1,773 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: nil), resulting in a loss on disposal of RMB1,063 (six months ended 30 June 2018: nil).

(c) Impairment losses

During the six months ended 30 June 2019, no impairment loss of equipment was recognised (six months ended 30 June 2018: nil).

10 LOANS AND RECEIVABLES

	<i>Note</i>	At 30 June 2019 RMB	At 31 December 2018 RMB
Factoring receivables with recourse		5,200,000	–
Less: Allowances for impairment losses	(iii)	(169,494)	–
Sub-total	(i)	5,030,506	–
Receivables from sale-leaseback transaction		100,244,633	–
Less: Allowances for impairment losses	(iii)	(2,484,712)	–
Sub-total	(ii)	97,759,921	–
Total		102,790,427	–

Notes:

- (i) As at 30 June 2019 and 31 December 2018, the factoring receivables were neither overdue nor impaired. The allowances for impairment losses were provided on expected credit loss model.
- (ii) As disclosed in Note 3(a)(iii), since 1 January 2019, new receivables from sale-leaseback transactions which do not satisfy sales under HKFRS 15 for the seller-lessees, were recognised as loans and receivables.

As at 30 June 2019, receivables from sale-leaseback transaction were neither overdue nor impaired. The allowances for impairment losses were provided on expected credit loss model.

(iii) Loans and receivables and allowance for impairment losses are as follows:

	As at 30 June 2019			Total RMB
	12-month ECL RMB	Lifetime ECL Not credit- impaired RMB	Lifetime ECL credit- impaired RMB	
Factoring receivables	5,200,000	–	–	5,200,000
Less: Allowances for impairment losses	(169,494)	–	–	(169,494)
Carrying amount of factoring receivables	<u>5,030,506</u>	<u>–</u>	<u>–</u>	<u>5,030,506</u>
Receivables from sale-leaseback transaction	100,244,633	–	–	100,244,633
Less: Allowances for impairment losses	(2,484,712)	–	–	(2,484,712)
Carrying amount of receivables from sale- leaseback transaction	<u>97,759,921</u>	<u>–</u>	<u>–</u>	<u>97,759,921</u>
Total carrying amount of loans and receivables	<u>102,790,427</u>	<u>–</u>	<u>–</u>	<u>102,790,427</u>

11 FINANCE LEASE RECEIVABLES

	At 30 June 2019 RMB	At 31 December 2018 RMB
Minimum finance lease receivables		
Not later than one year	264,013,186	249,389,267
Later than one year and not later than five years	<u>155,255,893</u>	<u>268,103,785</u>
Gross amount of finance lease receivables	419,269,079	517,493,052
Less: Unearned finance income	<u>(52,991,617)</u>	<u>(80,160,014)</u>
Net amount of finance lease receivables	366,277,462	437,333,038
Less: Allowances for impairment losses	<u>(28,498,050)</u>	<u>(24,538,912)</u>
Carrying amount of finance lease receivables	<u>337,779,412</u>	<u>412,794,126</u>
Present value of minimum finance lease receivables		
Not later than one year	222,163,448	196,368,337
Later than one year and not later than five years	<u>144,114,014</u>	<u>240,964,701</u>
Total	<u>366,277,462</u>	<u>437,333,038</u>

Analysis for reporting purpose as:

	At 30 June 2019 RMB	At 31 December 2018 RMB
Non-current assets	139,657,082	236,237,470
Current assets	198,122,330	176,556,656
	337,779,412	412,794,126

Analysis by security

Finance lease receivables are mainly secured by leased assets which are used in manufacturing, construction and other industries, lessees' deposits and leased assets repurchase arrangement where applicable.

Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential properties, car parks etc. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB10,013,386 was arranged through an entrusted loan with properties as the collateral as at 30 June 2019 (31 December 2018: RMB9,673,072).

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 June 2019 and 31 December 2018, the lessees' deposits pledged for related finance lease receivables were disclosed in note 14.

Analysis of credit quality

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

	At 30 June 2019 RMB	At 31 December 2018 RMB
Overdue and impaired	114,651,020	67,620,384
Overdue but not impaired		
– Overdue within 30 days (inclusive)	13,996,525	2,889,223
– Overdue 30 to 90 days (inclusive)	21,713,384	–
– Overdue above 90 days	–	–
Neither overdue nor impaired	215,916,533	366,823,431
Less: Allowances for impairment losses	(28,498,050)	(24,538,912)
At the end of the period/year	337,779,412	412,794,126

Finance lease receivables overdue but not impaired related to a number of lessees failing to pay the instalments, but our Group could collect the remaining balance from the suppliers or the agents of the leased assets through guarantee or from the disposal of leased assets.

Modification of finance lease contracts

During the six months ended 30 June 2019, our Group modified two finance lease contracts with total gross amount of RMB19,080,275, by extending the lease terms and changing the rental payment schedules, which resulted in the modification of finance lease that is not accounted for as a separate lease.

Our Group recalculated the carrying amounts of related finance lease receivables by discounting the modified contractual cash flows using the original effective interest rate. The differences between the recalculated amounts and the existing carrying amounts are recognised as impairment losses.

(a) Finance lease receivables and allowance for impairment losses

	As at 30 June 2019			Total RMB
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	
Net amount of finance lease receivables	209,807,859	41,818,583	114,651,020	366,277,462
Less: Allowances for impairment losses	(4,516,434)	(2,797,322)	(21,184,294)	(28,498,050)
Carrying amount of finance lease receivables	<u>205,291,425</u>	<u>39,021,261</u>	<u>93,466,726</u>	<u>337,779,412</u>
	As at 31 December 2018			Total RMB
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	
Net amount of finance lease receivables	366,360,271	3,352,383	67,620,384	437,333,038
Less: Allowances for impairment losses	(7,387,444)	(282,209)	(16,869,259)	(24,538,912)
Carrying amount of finance lease receivables	<u>358,972,827</u>	<u>3,070,174</u>	<u>50,751,125</u>	<u>412,794,126</u>

(b) **Movements of allowances for impairment losses on finance lease receivables**

	2019			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Balance at 1 January	7,387,444	282,209	16,869,259	24,538,912
Transfer to lifetime ECL not credit-impaired	(660,717)	660,717	–	–
Transfer to lifetime ECL credit-impaired	(720,469)	(282,209)	1,002,678	–
Net remeasurement of loss allowance	(1,798,713)	2,136,605	3,170,002	3,507,894
New financial assets originated	308,889	–	–	308,889
Recoveries of amounts previously written off	–	–	142,355	142,355
Balance at 30 June	4,516,434	2,797,322	21,184,294	28,498,050

	2018			
	12-month ECL RMB	Lifetime ECL not credit- impaired RMB	Lifetime ECL credit- impaired RMB	Total RMB
Balance at 1 January	8,841,791	224,471	12,103,339	21,169,601
Transfer to lifetime ECL not credit-impaired	(210,738)	210,738	–	–
Transfer to lifetime ECL credit-impaired	(729,325)	–	729,325	–
Net remeasurement of loss allowance	(4,183,968)	(153,000)	3,660,163	(676,805)
New financial assets originated	3,669,684	–	–	3,669,684
Recoveries of amounts previously written off	–	–	376,432	376,432
Balance at 31 December	7,387,444	282,209	16,869,259	24,538,912

12 TRADE AND OTHER RECEIVABLES

		At 30 June 2019 RMB	At 31 December 2018 RMB
	<i>Note</i>		
Non-current asset			
Other receivables		118,870	135,851
Deposits for property		189,565	189,565
		<u>308,435</u>	<u>325,416</u>
Current assets			
Other receivables		607,776	225,765
Less: Allowances for impairment losses	(i)	(129,395)	(104,862)
		478,381	120,903
Advances to a related party		32,034,718	–
Less: Allowances for impairment losses		(1,118,212)	–
	(ii)	30,916,506	–
Deductible value-added tax		869,814	–
Prepaid expenses		208,768	189,680
Prepayment for leasing assets		127,699	488,597
		<u>32,601,168</u>	<u>799,180</u>
Total		<u>32,909,603</u>	<u>1,124,596</u>
(i) Movements of allowances on other receivables			
		Six months ended 30 June 2019 RMB	2018 RMB
At 1 January		104,862	94,655
Charged for the period/year		24,533	10,207
At 30 June/31 December		<u>129,395</u>	<u>104,862</u>

(ii) **Advances to a related party**

During the six months ended 30 June 2019, our Group entered into a loan agreement with Jinjiang Qishang Trading Co., Ltd. (“Jinjiang Qishang”, 晉江七尚貿易有限公司), a related company controlled by Mr. Zhou Yongwei. Under this agreement, the Group provided a loan to Jinjiang Qishang with the principal amounted to RMB32,000,000, a fixed interest rate of 6%. The loan with the accrued interest receivables amounted to RMB32,034,718 as at 30 June 2019, and is repayable on demand.

As at 30 June 2019, the advances to a related party were neither overdue nor impaired, and the allowances for impairment losses provided were 12-month expected credit loss.

	At 30 June 2019 RMB
At 1 January	–
Charged for the period	<u>1,118,212</u>
At June 30	<u>1,118,212</u>

13 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB	At 31 December 2018 RMB
Deposits with banks	<u>30,937,379</u>	<u>98,602,193</u>

Our Group’s main operation in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

14 TRADE AND OTHER LIABILITIES

		At 30 June 2019 RMB	At 31 December 2018 RMB
	Note		
Current liabilities			
Guaranteed deposits from lessees	(ii)	8,885,008	6,473,784
VAT payable and other tax payable		13,593,827	14,720,830
Accounts payable	(i)	8,196,319	1,294,743
Notes payable		5,000,000	–
Accrued staff costs		1,259,307	1,666,445
Receipts in advance		2,453,686	133,685
Accrued liabilities		339,623	827,123
Interest payable		328,427	1,901,084
Other payables		1,316,670	2,259,762
		<u>41,372,867</u>	<u>29,277,456</u>
Non-current liabilities			
Guaranteed deposits from lessees	(ii)	41,424,810	44,529,335
VAT payable		2,785,568	5,098,371
		<u>44,210,378</u>	<u>49,627,706</u>
Total		<u>85,583,245</u>	<u>78,905,162</u>

Notes:

- (i) As at 30 June 2019 and 31 December 2018, all the accounts payable were payable on demand.
- (ii) Guaranteed deposit from lessees for reporting purpose:

	At 30 June 2019 RMB	At 31 December 2018 RMB
Current portion	8,885,008	6,473,784
Non-current portion	<u>41,424,810</u>	<u>44,529,335</u>
Total	<u>50,309,818</u>	<u>51,003,119</u>

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HKD2.1 cents per share (six months ended 30 June 2018: N/A)	<u>5,400,000</u>	<u>N/A</u>

(b) Capital management

Our Group's primary objectives when managing capital are to safeguard our Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Our Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher equity holder/shareholders 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.

There were no changes in our Group's approach to capital management during the year ended 30 June 2019

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2019 and 31 December 2018, no financial assets or liabilities were measured at fair values in our Group's consolidated statements of financial position.

The Directors 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.

17 COMMITMENTS

Operating leases commitments

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Our Group At 31 December 2018 <i>RMB</i>
Within 1 year	942,000
After 1 year but less than 5 years	<u>1,292,500</u>
Total	<u>2,234,500</u>

Our Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for 3 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals. Our Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. Our Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, our Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

18 CONTINGENT LIABILITIES

As of 30 June 2019, our Group was not involved in any material legal, arbitration or administrative proceedings that would materially adversely affect our Group's business, financial position or results of operations.

19 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of our Group is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
Key management personnel remuneration	634,974	670,075

During the six months ended 30 June 2019, the purchase of leased assets from Fujian Jingong Machinery Co., Ltd. amounted to RMB2,648,000 (six months ended 30 June 2018: RMB1,868,000). The related accounts payable and prepayments amounted to RMB115,148 (31 December 2018: RMB103,983), RMB127,699 (31 December 2018: RMB488,598) respectively.

During the six months ended 30 June 2019, the rental and property management fee to related parties incurred amounted to RMB552,007 (six months ended 30 June 2018: RMB471,317). The related prepayments and deposits balances amounted to RMB189,565 (31 December 2018: RMB189,565). The related payables amounted to RMB36,000 as at June 2019 (31 December 2018: nil).

As disclosed in Note 12(ii), as at 30 June 2019, the advance to related party Jinjiang Qishang amounted to RMB32,034,718 (31 December 2018: nil).

20 COMPARATIVE FIGURES

Our Group has initially applied HKFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We are a finance leasing company in Fujian province dedicated to providing equipment based financing solutions to our customers. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Our customers are mainly small and medium-sized enterprises, entrepreneurial individuals, and reputable large enterprises. Throughout the Reporting Period, we stuck to the principles of stable operation and risk prioritization. The Company keeps developing the finance leasing business and trying to do more factoring business so as to find more platforms. Since the “Finance Leasing Services System” comes into use, it has become more efficient and convenient for employees to develop and carry forward the business.

Our revenue decreased from RMB40.9 million for the six months ended 30 June 2018 to RMB29.3 million for the six months ended 30 June 2019. Our profit decreased from RMB12.5 million for the six months ended 30 June 2018 to RMB7.0 million for the six months ended 30 June 2019.

Finance Leasing Services

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. Sale-leaseback is primarily used by our customers to fund their business operations. Through sale-leaseback, our customers sell the assets, of which they have the ownership, to us to finance their working capital and then we lease the sold assets back to such customers. For the six months ended 30 June 2019, our revenue from finance leasing services was RMB28.0 million, accounting for 95.7% of our total revenue.

The following table sets forth the average monthly balance of the interest-generating finance lease receivables and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2019	For the year ended 31 December 2018
Average monthly balance of interest-generating finance lease receivables (<i>RMB'000</i>)		
– Direct finance leasing	59,181	85,023
– Sale-leaseback	339,233	500,780
Range of interest rate per annum		
– Direct finance leasing	11.1-20.1%	11.1%-22.8%
– Sale-leaseback	11.0-22.8%	8.5%-22.8%

We assess impairment losses in two ways, namely individual assessment and collective assessment. The following table sets forth our maturity profile of our finance lease receivables as of the dates indicated:

	As of 30 June 2019 <i>RMB'000</i>
Neither overdue nor credit-impaired	215,917
Overdue but not credit-impaired	
– Overdue within 30 days (inclusive)	13,996
– Overdue 30 to 90 days (inclusive)	21,713
– Overdue above 90 days	–
Overdue and credit-impaired	114,651
Net amount of finance lease receivables	366,277
Allowances for impairment losses	(28,498)
Carrying amount of finance lease receivables	337,779

Our Group has initially applied HKFRS 16 at 1 January 2019. The new sale-leaseback transactions are in the accounting of loans and receivables and all the new leaseback transactions are neither overdue nor credit-impaired, which amount to RMB97.8 million.

	As of 31 December 2018 RMB'000
Neither overdue nor impaired	366,824
Overdue but not impaired	
– Overdue within 30 days (inclusive)	2,889
– Overdue 30 to 90 days (inclusive)	–
– Overdue above 90 days	–
Overdue and impaired	67,620
Net amount of finance lease receivables	437,333
Allowances for impairment losses	(24,539)
Carrying amount of finance lease receivables	<u>412,794</u>

Factoring Services

For the six months ended 30 June 2019, our revenue from factoring services was RMB0.06 million, accounting for 0.2% of our total revenue mainly because a new factoring agreement was engaged in May 2019.

Xiamen Baiying Leasing Co., Ltd., one of our principal operating companies, has established Shanghai Byleasing Commercial Factoring Co., Ltd.* (上海百應商業保理有限責任公司) in Shanghai on 11 January 2019, which lays a foundation for development of our factoring services and expansion in Yangtze River Delta Region.

The following table sets forth the average monthly balance of our factoring services and the range of corresponding interest rate for the periods indicated:

	For the six months ended 30 June 2019	For the year ended 31 December 2018
Average monthly balance of factoring receivables (RMB'000)	1,733	3,275
Range of interest rate	15.6%	13.2%-15.6%

Advisory Services

Leveraging our experience in arranging finance leases for our customers, we also provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the six months ended 30 June 2019, our revenue from advisory services was RMB1.2 million, accounting for 4.1% of our total revenue. Such revenue came from one advisory service agreement, which we entered into with one of our customers, involving a construction project, with a total investment of approximately RMB1,142 million. We charged 1% of the project progress payment which our customer received for our advisory services.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the six months ended 30 June 2019:

Key requirements	Compliance status
A foreign-funded finance leasing company shall not provide in any direct or indirect form of financing for local governments' financing platform companies that undertake public welfare duties.	Our Group complied with such requirement for the six months ended 30 June 2019.
The total assets of the foreign investor(s) of a foreign-funded finance leasing company shall not be less than US\$5 million and the foreign investor(s) shall not be in insolvency and ordinarily shall have existed for more than one year.	Our Group complied with such requirement for the six months ended 30 June 2019.
The registered capital of a foreign-funded finance leasing company shall not be less than US\$10 million and the proportion of the foreign investment shall not be lower than 25%.	Our Group complied with such requirement for the six months ended 30 June 2019.
A foreign-funded finance leasing company shall have professional staff. And its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.	Our Group complied with such requirement for the six months ended 30 June 2019.
The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.	Our Group complied with such requirement for the six months ended 30 June 2019.

Key requirements

A foreign-funded finance leasing company shall contain the words “finance leasing” (融資租賃) in its corporate name and shall not contain the words “financial lease” (金融租賃) in its corporate name or its business scope.

A finance leasing company can conduct guarantee business only in relation to its leasing transactions, but shall not contain the word “guarantee” in its corporate name and shall not take guarantee business as its main business.

A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

As a general practice and according to the Measures for the Administration of Entrusted Loans of Commercial Banks (商業銀行委託貸款管理辦法) and General Rules for Loans (貸款通則), a company is allowed to entrust a commercial bank to provide loans to a third party.

A finance leasing company shall not accept any property to which a lessee has no disposal rights or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction.

Risk assets of a finance leasing company shall not exceed ten times of its total net assets.

Compliance status

Our Group complied with such requirement for the six months ended 30 June 2019.

Our Group complied with such requirement for the six months ended 30 June 2019.

Our Group complied with such requirement for the six months ended 30 June 2019.

Our Group complied with such applicable requirement for the six months ended 30 June 2019.

Our Group complied with such requirement for the six months ended 30 June 2019.

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income and advisory fee income. During the Reporting Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, and our advisory fee income represented the advisory fees received from our value-added advisory services. The following table sets forth our revenue by service type for the periods indicated:

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
Interest Income:		
Finance leasing services	28,028	38,412
– Direct finance leasing	3,711	6,778
– Sale-leaseback recognised as finance lease receivables	21,131	31,634
– Sale-leaseback recognised as loans and receivables	3,186	–
Factoring services	64	129
Advisory Fee Income:		
Advisory services	1,210	2,374
Total	29,302	40,915

Our revenue decreased from RMB40.9 million for the six months ended 30 June 2018 to RMB29.3 million for the six months ended 30 June 2019 mainly due to a decrease in finance leasing income of RMB10.4 million as a result of the decrease of RMB7.8 million in revenue of settling the finance lease projects in infrastructure.

Other net income

Our other net income mainly consists of interest income from deposits with financial institutions and investment income from wealth management products.

Our other net income increased from RMB0.6 million for the six months ended 30 June 2018 to RMB1.0 million for the six months ended 30 June 2019 primarily due to (i) the increase in interest income of RMB0.1 million; (ii) the increase in the income from wealth management products of RMB0.2 million; and (iii) the interest income of RMB0.1 million from the loans to related party.

Interest expenses

Interest expenses mainly consist of interest expenses on our interest-bearing borrowings. We incur interest expenses on borrowings which are principally used to fund our finance leasing business. Our gearing ratio decreased from 0.6 times as of 31 December 2018 to 0.5 times as of 30 June 2019 due to the decrease in debt. The gearing ratio is a measure of financial leverage. It represents total interest-bearing borrowings divided by total equity as of 30 June 2019.

Our interest expenses decreased from RMB12.9 million for the six months ended 30 June 2018 to RMB7.5 million for the six months ended 30 June 2019 mainly due to the decrease in the average monthly loan balance.

Operating expenses

Our operating expenses primarily consist of staff cost, legal expenses and depreciation and amortization. The table below sets forth the components of our operating expenses by nature for the periods indicated:

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
Staff cost	2,755	3,073
Legal expenses	398	77
Operating lease charges in respect of properties	–	485
Business travel and transportation expenses	198	230
Depreciation and amortization	555	57
Property management expenses	117	98
Auditor's remuneration	340	–
Listing expenses	–	5,938
Sundry expenses	1,310	721
Total operating expenses	5,673	10,679

Our operating expenses decreased significantly from RMB10.7 million for the six months ended 30 June 2018 to RMB5.7 million for the six months ended 30 June 2019 mainly due to (i) no non-recurring listing expenses incurred during the Reporting Period; (ii) the increase in legal expenses of RMB0.3 million; (iii) the increase in auditor's remuneration of RMB0.3 million.

Impairment losses charged or written back

Our impairment losses charged or written back mainly include impairment losses charged on finance lease receivables and loans and receivables. The table below sets forth our total impairment losses charged or written back by asset type for the periods indicated:

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
Finance lease receivables	3,817	2,035
Trade and other receivables	1,143	(21)
Loans and receivables	2,654	(493)
Total impairment losses charged/(written back)	7,614	1,521

Our impairment losses charged increased significantly primarily because of an increase in impairment losses of RMB6.0 million as a result of the increased projects of lifetime ECL not credit-impaired and credit-impaired.

Income tax expense

Our income tax expense decreased from RMB3.9 million for the six months ended 30 June 2018 to RMB2.6 million for the six months ended 30 June 2019 primarily because of the decrease of RMB6.9 million in the profit before tax.

The Directors confirmed that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Profit for the period

Our profit decreased from RMB12.5 million for the six months ended 30 June 2018 to RMB7.0 million for the six months ended 30 June 2019 mainly because our revenue decreased from RMB40.9 million for the six months ended 30 June 2018 to RMB29.3 million for the six months ended 30 June 2019. Our net profit margin decreased from 30.6% to 23.9% during the same period.

Liquidity and Capital Resources

The Shares were listed on GEM of the Exchange on 18 July 2018 (the “**Listing Date**”) with net proceeds from the share offer in connection therewith (the “**Share Offer**”) of approximately HK\$56.8 million (after deducting underwriting fees and commission, and other expenses in connection with the Share Offer).

We primarily funded our operations and expansions through interest-bearing borrowings, our shareholders’ equity and cash flows from our operations. Our liquidity and capital requirements primarily relate to our finance leasing and factoring businesses and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Cash flows

The following table sets forth a selected summary of our cash flow statement for the periods indicated:

	For the six months ended	
	30 June	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents at beginning of the period	98,602	11,183
Net cash flows generated from/(used in) operating activities	(13,721)	17,469
Net cash flows generated from/(used in) investing activities	(31,401)	1,045
Net cash flows used in financing activities	(22,406)	(18,291)
Net increase/(decrease) in cash and cash equivalents	(67,528)	223
Effect of foreign exchange rate change	(137)	84
Cash and cash equivalents at the end of the period	30,937	11,490

Net cash flows generated from/(used in) operating activities

For the six months ended 30 June 2019, we had net cash used in operating activities of RMB13.7 million, principally as a result of operating profit before changes in working capital of RMB21.2 million and the negative effect of the changes in working capital, which consisted of: (i) the increase in loans and other receivables of RMB105.4 million, primarily because of investment in the sale-leaseback transactions; (ii) the decrease in finance lease receivables of RMB71.2 million, primarily because of the settlement of finance lease projects.

Net cash flows generated from/(used in) investing activities

For the six months ended 30 June 2019, our net cash used in investing activities was RMB31.4 million. Our net cash outflow from investing activities mainly consisted of advances to the related party which amount to RMB32.0 million.

Net cash flows used in financing activities

For the six months ended 30 June 2019, our net cash flows used in financing activities was RMB22.4 million. Our net cash flows used in financing activities consisted of: (1) repayment of borrowings of RMB48.0 million; and (ii) interest paid of RMB4.0 million, which was offset partially by bank borrowings of RMB30.0 million.

Selected items of the statements of financial position

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Non-current assets		
Finance lease receivables	139,657	236,237
Loans and receivables	64,646	–
Trade and other receivables	308	326
Equipment	2,168	586
Intangible assets	664	267
Deferred tax assets	7,368	5,923
Total non-current assets	214,811	243,339
Current assets		
Finance lease receivables	198,122	176,557
Cash and cash equivalents	30,937	98,602
Trade and other receivables	32,602	799
Loans and receivables	38,144	–
Pledged and restricted deposits	1,000	–
Total current assets	300,805	275,958
Current liabilities		
Borrowings	147,000	165,000
Trade and other liabilities	41,373	29,277
Lease liabilities	912	–
Income tax payable	4,193	4,547
Total current liabilities	193,478	198,824
Net current assets	107,327	77,134
Non-current liabilities		
Trade and other liabilities	44,210	49,628
Lease liabilities	757	–
Deferred tax liabilities	–	540
Total non-current liabilities	44,967	50,168
Net assets	277,171	270,305

Our net current assets increased mainly due to the increase in our total current assets. Our total current assets increased from RMB276.0 million as of 31 December 2018 to RMB300.8 million as of 30 June 2019 primarily due to (i) the increase in finance lease receivables of RMB21.6 million; (ii) the increase in trade and other receivables of RMB31.8 million, which related to advances to the related party; (iii) the increase in loans and receivables of RMB38.1 million, primarily because of the new sale-leaseback transactions and the new factoring business and (iv) the decrease in bank deposits of RMB67.7 million, which mainly due to the repayment of bank borrowings of RMB18.0 million and the advances to a related party of RMB32.0 million.

Our current liabilities decreased from RMB198.8 million as of 31 December 2018 to RMB193.5 million as of 30 June 2019 primarily due to (i) repayment of bank borrowings of RMB18.0 million; and (ii) the increase in trade and other liabilities of RMB12.1 million, which mainly due to the increase in notes payable of RMB5.0 million and the increase in accounts payable of RMB6.9 million.

Net amount of finance lease receivables and receivables from sale-leaseback transactions recognised as loans and receivables

The following table sets forth our net amount of our finance lease receivables and receivables from sale-leaseback transactions recognised as loans and receivables by service type as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Direct finance leasing	64,385	82,052
Sale-leaseback	402,137	355,281
Net amount of finance lease receivables	466,522	437,333

The net amount of our finance lease receivables and receivables from sale-leaseback transactions recognised as loans and receivables increased from RMB437.3 million as of 31 December 2018 to RMB466.5 million as of 30 June 2019 mainly due to the expansion of finance leasing business. For the six months ended 30 June 2019, all of our finance lease receivables were charged by fixed interest rates.

Loans and receivables

Loans and receivables mainly consist of our sale-leaseback transactions and factoring transactions. Our loans and receivables increased mainly due to (i) the application of HKFRS 16 which results in the new sale-leaseback transactions being recognised; and (ii) the new factoring transaction was engaged in May 2019.

Cash and cash equivalents

Cash and cash equivalents consist of our cash in hand and deposits with banks. Our cash and cash equivalents decreased from RMB98.6 million as of 31 December 2018 to RMB30.9 million as of 30 June 2019, primarily due to the repayment of bank borrowings of RMB18.0 million and the advances to a related party of RMB32.0 million.

Trade and other liabilities

Our trade and other liabilities mainly include guaranteed deposits from lessees, notes payable, value-added tax (“VAT”) payable, and other payables. The following table sets forth our trade and other liabilities as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Guaranteed deposits from lessees	50,310	51,003
Notes payable	5,000	–
VAT payable and other tax payable	16,379	19,819
Accounts payable	8,196	1,295
Accrued staff costs	1,259	1,666
Receipts in advance	2,454	134
Accrued liabilities	340	827
Interest payable	328	1,901
Other payables	1,317	2,260
Total trade and other liabilities	85,583	78,905

During the Reporting Period, we paid for leased equipment by notes. Our trade and other liabilities increased from RMB78.9 million as of 31 December 2018 to RMB85.6 million as of 30 June 2019 primarily due to the increase in notes payable of RMB5.0 million.

Wealth Management

We invest in wealth management products with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such products, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our finance department conducts risk control and supervision over our investment to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. The average daily balance of such products for the six months ended 30 June 2018 and 30 June 2019 amounted to RMB25.6 million and RMB44.8 million, respectively.

Indebtedness

Interest-bearing borrowings

The following table sets forth our outstanding interest-bearing borrowings by security as of the dates indicated:

	As of 30 June 2019 RMB'000	As of 31 December 2018 RMB'000
Bank borrowings:		
– Guaranteed ⁽¹⁾	95,000	65,000
– Unsecured	52,000	100,000
Other borrowings:		
– Unsecured	–	–
Total	147,000	165,000

Note:

(1) The loan was guaranteed by Septwolves Group Holding.

Contingent liabilities

As of 30 June 2019, there were no outstanding legal proceedings against our Group.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for the purchase of office equipment. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended 30 June 2019 RMB'000	2018 RMB'000
Capital expenditures	6	42

Commitment and contractual obligations

Capital commitments

Other than the operating lease commitments disclosed above, we did not have any significant capital commitment as of 30 June 2019.

Foreign currency exposure

Since our Group's business activities are solely operated in the PRC and denominated in Renminbi, the Directors consider that our Group's risk in foreign exchange is insignificant.

Off-balance sheet arrangements

As of the date of this announcement, we did not have any off-balance sheet arrangements.

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Our Group did not have any material investments, acquisition or disposal for the six months ended 30 June 2019.

EMPLOYMENT AND EMOLUMENTS

As of the date of this announcement, our Group had 28 full time employees, all of whom were based in China. Our employees' remuneration was paid with reference to the individual's responsibility and performance, as well as the actual practice of the Company. We have made contributions to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing funds for our employees. As of the date of this announcement, we had complied with all statutory applicable PRC laws and regulations in all material aspects.

We invest in continuing education and training programs for our management and other employees with a view to constantly upgrading their skills and knowledge. We also arrange for internal and external professional training programs to develop our employees' skills and knowledge. These programs include further educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties.

From the second quarter of this year, we have started the staff training plan with a theme per month. We encourage our employees to join the team of training lecturers, share skills and knowledge and enhance the study atmosphere of the Company.

SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by the shareholders of the Company on 20 June 2018 (the "**Share Option Scheme**") for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of our Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, consultants of our Group. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 20 June 2018 and will expire on 20 June 2028.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 30 June 2019, the Company has no outstanding share option under the Share Option Scheme.

PROSPECTS

Since 2019, we face new challenges in the face of the “new normality” of economic growth from rapid to medium-to-low growth, the turbulent environment under the China-US trade war and the influence of eliminating excess capacity and deleveraging have continued to place operating pressures on enterprises, especially small and medium-sized enterprises. Under the premise of adhering to providing quality service, the Company will continue to follow its principles of stable operation and risk prioritization, pay close attention to the market changes of the industry involved, adjust the business strategy timely and prevent and control the risk. By taking advantage of existing conditions and resources, while continuing to strengthen its business advantages in the finance leasing business, the Company will try to open up new industries and models. At the same time, the Company will continue to build and strengthen itself, introduce outstanding talents, enhance its team training and the Company’s comprehensive strength and improve the asset management and team management capabilities, so as to lay a good foundation for optimizing the business structure and asset portfolio and to provide support for business development and innovation. The Company will try a variety of ways to raise funds to optimize the financial structure and control the capital cost. The Company will continue to maintain a sustainable and stable business development and create more benefits for the shareholders of the Company.

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on GEM of the Exchange on the Listing Date with net proceeds from the Share Offer of approximately HK\$56.8 million (after deducting underwriting fees and commission, and other expenses in connection with the Share Offer). As of 30 June 2019, the Company had utilized the net proceeds in the manner as set out in the prospectus of the Company dated 30 June 2018, which is (i) approximately 80%, or approximately HK\$45.4 million, had been used to expand our finance leasing business; (ii) approximately 10%, or approximately HK\$5.7 million, had been used to expand our factoring business; and (iii) approximately 10%, or approximately HK\$5.7 million, had been used to provide funding for our working capital and other general corporate purposes. As at 30 June 2019, the net proceeds from the Share Offer have been used up in the manner and at the ratio as disclosed above.

CORPORATE GOVERNANCE

Our Group recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our shareholders. The Board and the management of the Company have adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance policies and compliance from time to time. Throughout the Reporting Period, the Company has fully complied with the Code Provisions.

UPDATES ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, there is no change in information of the Directors throughout the Reporting Period.

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the Company by the Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Code of Conduct**”) as its own code governing securities transactions of the Directors. Having made specific enquiry of all the Directors, all of them confirmed that they had fully complied with the required standard of dealings as set out in the Code of Conduct throughout the Reporting Period.

Pursuant to Rule 5.66 of the Code of Conduct, the Directors have also requested any employee of the Company or director or employee of any subsidiary of the Company who, because of his office or employment in the Company or any subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealing by the Code of Conduct as if he were a Director.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

There are no subsequent events after the Reporting Period.

COMPETING INTERESTS

During the Reporting Period, none of the controlling shareholders or substantial shareholders of the Company, Directors and their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group or have any other conflicts of interest with our Group.

INTEREST OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Changjiang Corporate Finance (HK) Limited (“**Changjiang Corporate Finance**”) to be its compliance adviser. As informed by Changjiang Corporate Finance, neither Changjiang Corporate Finance nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement entered into between the Company and Changjiang Corporate Finance.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed and discussed with the management the accounting principles and practices adopted by the Company, internal controls and financial report matters, and the Company’s policies and practices on corporate governance. This unaudited Interim Results announcement has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INFORMATION

The Interim Results announcement and the interim report are published on the websites of the Exchange (www.hkexnews.hk) and the Company (www.byleasing.com). The interim report for the six months ended 30 June 2019 containing all the information required by the GEM Listing Rules will be dispatched to shareholders of the Company in due course.

By order of the Board
Byleasing Holdings Limited
Zhou Shiyuan
Chairman

Hong Kong, 13 August 2019

As at the date of this announcement, the executive Directors are Mr. Zhou Shiyuan, Mr. Chen Xinwei and Mr. Huang Dake; the non-executive Director is Mr. Ke Jinding; and the independent non-executive Directors are Mr. Chen Chaolin, Mr. Tu Liandong and Mr. Xie Mianbi.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting and on the Company’s website at www.byleasing.com.