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富道
WEALTHY WAY

Wealthy Way Group Limited
富道集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3848)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of Directors (the "Directors") of Wealthy Way Group Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**83,046**	96,587
Other income	4	**7,229**	1,673
Employee benefit expenses		**(11,686)**	(7,384)
Depreciation		**(501)**	(496)
Operating lease expense		**(1,561)**	(913)
Other operating expenses		**(7,907)**	(5,976)
Allowance for ECLs		**(1,884)**	—
Listing expense		**—**	(8,999)
Finance cost	5	**(33,177)**	(34,758)
Profit before income tax	6	**33,559**	39,734
Income tax expense	7	**(10,553)**	(13,346)

	Note	2018 RMB'000	2017 RMB'000
Profit for the year		**23,006**	26,388
Profit for the year attributable to:			
Equity holders of the Company		**23,641**	26,388
Non-controlling interests		**(635)**	—
		23,006	26,388
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**1,486**	(3,722)
Total comprehensive income for the year		**24,492**	22,666
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**25,127**	22,266
Non-controlling interests		**(635)**	—
		24,492	22,266
Earnings per share attributable to equity holders of the Company	*9*		
Basic earnings per share		**16.42 cents**	21.25 cents
Diluted earnings per share		**16.41 cents**	21.25 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,359**	1,579
Loan and account receivables	*10*	**472,140**	699,464
Deferred tax assets		**21,406**	—
		496,905	701,043
Current assets			
Loan and account receivables	*10*	**1,004,200**	447,876
Prepayments, deposits and other receivables		**2,353**	2,703
Amounts due from related parties		**290**	—
Tax recoverable		**410**	—
Cash and cash equivalents		**61,201**	55,973
		1,068,454	506,552
Current liabilities			
Deposits from financial leasing customers		**5,880**	200
Accruals and other payables		**17,208**	2,872
Amounts due to related parties		**845**	1,646
Amount due to ultimate holding company		**—**	4,327
Dividend payable to non-controlling interests		**13,768**	—
Contingent consideration payable		**19,600**	—
Deferred income		**—**	684
Bank and other borrowings	*11*	**302,595**	117,569
Tax payable		**5,821**	8,302
		365,717	135,600
Net current assets		**702,737**	370,952
Total assets less current liabilities		**1,199,642**	1,071,995

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Deposits from financial leasing customers		**25,543**	34,380
Bank and other borrowings	*11*	**405,620**	551,114
Contingent consideration payable		**16,184**	—
Promissory note		**75,846**	—
		523,193	585,494
Net assets		**676,449**	486,501
EQUITY			
Share capital	*12*	**1,248**	1,248
Reserves		**502,397**	485,253
Total equity attributable to equity holders of the Company		**503,645**	486,501
Non-controlling interests		**172,804**	—
Total equity		**676,449**	486,501

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital *RMB'000* *(Note 12)*	Proposed final dividend *RMB'000* *(Note 8)*	Share premium *RMB'000*	Share-based payment reserve *RMB'000*	Exchange reserve *RMB'000*	Other reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	—*	—	—	—	(494)	218,400	9,209	71,749	298,864	—	298,864
Comprehensive income:											
Profit for the year	—	—	—	—	—	—	—	26,388	26,388	—	26,388
Other comprehensive expense:											
Exchange differences arising on translating foreign operations	—	—	—	—	(3,722)	—	—	—	(3,722)	—	(3,722)
Total comprehensive income for the year	—	—	—	—	(3,722)	—	—	26,388	22,666	—	22,666
Transactions with equity holders of the Company:											
Issue of shares upon share offer	312	—	173,142	—	—	—	—	—	173,454	—	173,454
Capitalisation issue of shares	936	—	(936)	—	—	—	—	—	—	—	—
Expenses incurred in connection with issue of new shares	—	—	(8,483)	—	—	—	—	—	(8,483)	—	(8,483)
	1,248	—	163,723	—	—	—	—	—	164,971	—	164,971
Transferred to statutory surplus reserve	—	—	—	—	—	—	3,955	(3,955)	—	—	—
At 31 December 2017	1,248	—	163,723	—	(4,216)	218,400	13,164	94,182	486,501	—	486,501
Initial adoption of HKFRS 9	—	—	—	—	—	—	—	(33,404)	(33,404)	—	(33,404)
Adjusted balance as at 1 January 2018	1,248	—	163,723	—	(4,216)	218,400	13,164	60,778	453,097	—	453,097
Comprehensive income:											
Profit for the year	—	—	—	—	—	—	—	23,641	23,641	(635)	23,006
Other comprehensive income:											
Exchange differences arising on translating foreign operations	—	—	—	—	1,486	—	—	—	1,486	—	1,486
Total comprehensive income for the year	—	—	—	—	1,486	—	—	23,641	25,127	(635)	24,492
Transactions with equity holders of the Company:											
Equity settled share-based Transactions	—	—	—	4,080	—	—	—	—	4,080	—	4,080
Arising from acquisition of a subsidiary	—	—	—	—	—	21,341	—	—	21,341	173,439	194,780
	—	—	—	4,080	—	21,341	—	—	25,421	173,439	198,860
Proposed final dividend *(Note 8)*	—	3,795	(3,795)	—	—	—	—	—	—	—	—
Transferred to statutory surplus reserve	—	—	—	—	—	—	3,602	(3,602)	—	—	—
At 31 December 2018	**1,248**	**3,795**	**159,928**	**4,080**	**(2,730)**	**239,741**	**16,766**	**80,817**	**503,645**	**172,804**	**676,449**

* *Amount less than RMB1,000*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE INFORMATION

Wealthy Way Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Exchange") (the "Listing") by way of placing and public offer of shares (the "Share Offer") on 21 July 2017. The registered office of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's principal place of business is at Room 02, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing, factoring and financial advisory services, small loans and related loan facilitation services in the People's Republic of China ("PRC"). In the opinion of the directors of the Company, the ultimate holding company of the Group is Wealthy Rise Investment Limited ("Wealthy Rise"), a company incorporated in the British Virgin Island ("BVI") which is wholly owned by Mr. Lo Wai Ho ("Mr. Lo").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Exchange ("Main Board Listing Rules").

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair value at the end of reporting period. The consolidated financial statements are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2017 except for the adoption of certain new and revised HKFRSs that are relevant to the Group and effective from the current period as set out below.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied for the first time the following new and amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
HK (IFRIC) — Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS9 Financial Instruments with HKFRS 4 Insurance
Amendments to Hong Kong Accounting Standards ("HKASs") 28	As part of the Annual Improvements to HKFRS 2014–2016 Cycle
Amendments to HKAS 40	Transfers to Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

HKFRS 9 Financial Instruments

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items (for example, contract assets, lease receivables and financial guarantee contracts).

In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment under expected credit loss ("ECL") model) to items that existed as of the date of initial adoption (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial adoption of HKFRS 9 has been recognised as adjustments to the opening equity.

(a) *Classification and measurement of financial instruments*

In general, HKFRS 9 categorises financial assets into the following three classification categories:

— measured at amortised cost;

— at fair value through other comprehensive income ("FVTOCI");

— at fair value through profit or loss ("FVTPL").

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial adoption (i.e. 1 January 2018), and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether the contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amount under HKAS 39	Reclassification	Remeasurement	Carrying amount under HKFRS 9
			RMB'000	*RMB'000*	*RMB'000* *(Note (i))*	*RMB'000*
Loan and account receivables	Loan and receivables	Amortised cost	1,147,340	—	(44,539)	1,102,801
Deposits and other receivables	Loan and receivables	Amortised cost	435	—	—	435
Cash and cash equivalents	Loan and receivables	Amortised cost	55,973	—	—	55,973

Note (i): The amount represents additional impairment losses based on the ECL model under HKFRS 9.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

(b) *Impairment under ECL model*

HKFRS 9 has introduced the ECL model to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected loss model" to the following types of financial assets:

— financial assets that are subsequently measured at amortised cost (including loan and account receivables, deposits and other receivables and cash and cash equivalents); and

— contract assets as defined in HKFRS 15, if any.

The Group has applied the simplified approach to measure lifetime ECL for certain of its loan and account receivables (loan receivables of direct lease under HKAS 17 and account receivables). Loss allowance for other financial assets at amortised cost is measured on 12-month ECL ("12-m ECL") basis unless there had been significant increase in credit risk since initial recognition.

In assessing whether the credit risk of financial assets has increased significantly since initial recognition the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on the financial asset as at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information. And in all cases, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default (i.e. credit-impaired for ECL calculation) in all cases when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9:

	RMB'000
Loss allowance recognised as at 31 December 2017 under HKAS 39	—
Additional loss allowance as a result of the adoption of the "expected loss model" under HKFRS 9	
— Loan and account receivables	(44,539)
Loss allowance recognised as at 1 January 2018 under HKFRS 9	(44,539)

(c) *Effect on the Group's retained profits as of 1 January 2018*

The following table shows the impact of the adoption of HKFRS 9 on the Group's retained profits as of 1 January 2018:

	Decrease in the Group's retained profits *RMB'000*
Recognition of additional ECLs relating to:	
— Loan and account receivables	(44,539)
Total additional expected credit loss recognised	(44,539)
Income tax effect — deferred tax assets	11,135
	(33,404)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 has replaced HKAS 11 Construction contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial adoption of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial adoption (i.e. 1 January 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 January 2018.

As mentioned in note 1, the Group is engaged in the following operations:

— provision of financing leasing services

— provision of factoring services

— provision of small loans and related loan facilitation services

— provision of financial advisory services

The interest revenue derived from the provision of financing leasing, factoring and small loans recognised in accordance with HKFRS 9 is out of the scope of HKFRS 15.

The Group's contracts with customers for financial advisory services are tailor-made/made-to-order based on customers' specification with no alternative use to the Group. Taking into account the contract terms, the legal and regulatory environment in the PRC, the contracts provide the Group enforceable right to payment for performance completed to date and hence should be recognised overtime upon adoption of HKFRS 15. As there was no contract not completed as at 1 January 2018, there is no transition impact on the opening retained profits.

The Group provides a platform which matches borrowers with lenders, facilitates the execution of loan agreement and provides ongoing monthly services to the borrowers. The Group considers the loan facilitation services and ongoing monthly services as distinct performance obligations. The upfront loan facilitation service fee is recognised as revenue upon execution of loan agreements and the post facilitation services fee is recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. As this is a new income stream of the Group in the current year, there is no impact on the opening retained profits.

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 As originally presented *RMB'000*	**Effect of adoption of HKFRS 9** *RMB'000*	**1 January 2018 restated** *RMB'000*
Loan and account receivables	699,464	(14,635)	684,829
Deferred tax assets	—	11,135	11,135
Total non-current assets	701,043		697,543
Loan and account receivables	447,876	(29,904)	417,972
Total current assets	506,552		476,648
Net assets	486,501		453,097
Reserves	485,253	(33,404)	451,849
Total equity	486,501		453,097

The Group has not early applied any of the following new and amendments to HKFRSs, which have been issued but are not yet effective, in the consolidated financial statements:

		Effective for annual reporting periods beginning on or after
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1 January 2019*
HKAS 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
HKFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
HKFRS 3 Amendments	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 Amendments	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2018. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and amendments to HKFRSs. So far, it has concluded that the above new and amendments to HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sale and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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, the Group currently presents operating lease payments as operating cash flows. Upon the adoption of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB8,340,000 (2017: RMB2,566,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon adoption of HKFRS 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. The new requirement to recognise a right-to-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements. In addition, the adoption of the new requirements may result in changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB689,000 (2017: RMB350,000) as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 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 received paid would be included in the carrying amount of right-to-use assets.

The directors of the Company expected that, such changes would increase the consolidated asset and consolidated liabilities of the Group, but would not result in a significant impact to the consolidated financial performance in the Group's future financial statements.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue		
Interest income from financial leasing	**43,518**	56,978
Interest income from factoring	**21,295**	9,438
Loan facilitation service income		
— Upfront loan facilitation service income	**8,326**	—
— Post loan facilitation service income	**1,697**	—
	10,023	—
Financial advisory services income		
— Financial leasing advisory services income	**4,280**	26,986
— Other financial advisory service income	**3,930**	3,185
	8,210	30,171
	83,046	96,587
Other income		
Bank interest income	**238**	1,346
Other taxes refund *(Note)*	**5,181**	—
Dividend income	**1,206**	—
Gain on disposal of property, plant and equipment	**126**	—
Sundry income	**478**	327
	7,229	1,673

Note: The amount represented the one-off refund of excess input value added tax ("VAT"). Following the announcements issued by the China's State Council concerning the VAT, the Ministry of Finance and the State Administration of Taxation promulgated the implementation rules of (i) transition from business tax to VAT and (ii) the change in VAT rates. Such changes were applied to several sectors including finance lease industry, and hence the Group is entitled to the refund upon the application is approved by the relevant authorities.

5. FINANCE COST

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**33,177**	34,758

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
Auditor's remuneration		
— Audit services	**833**	579
— Non-audit services *(Note)*	**1,028**	1,021
	1,861	1,600
Acquisition-related costs incurred (including auditor's remuneration for non-audit services)	**2,269**	—
Employee benefit expenses (including directors' remuneration)		
— Salaries, allowances and benefits in kind	**8,342**	6,451
— Retirement benefit scheme contributions	**1,304**	933
— Equity settled share-based payment	**2,040**	—
	11,686	7,384
Equity settled share-based payment		
— Employee benefit expenses	**2,040**	—
— Consultancy fees	**2,040**	—
	4,080	—
Foreign exchange difference, net	**673**	278

Note: Non-audit services for the year ended 31 December 2018 represented the services provided by the Company's auditor for acting as the reporting accountants of the Company in relation to the major and connected acquisition (2017: the services provided by the Company's auditor for acting as the reporting accountants of the Company for the listing and the review services provided relating to interim results of the Group for the six months ended 30 June 2017).

7. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
The charge comprises:		
Current tax for the year		
— PRC Enterprise Income Tax ("EIT")	**11,017**	13,346
Deferred tax credited	**(464)**	—
	10,553	13,346

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 December 2018 (2017: Nil).

PRC EIT is calculated at 25% (2017: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company as mentioned below. In accordance with relevant laws and regulations in the PRC, enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Zone") are eligible for a reduced EIT rate of 15%, provided that the enterprise is engaged in projects that fall within the Catalogue for EIT Preferential Treatments of the Zone. One of the subsidiaries is entitled to the 15% preferential tax rate for the years 2018 to 2020.

8. DIVIDENDS

The final dividend of HK3 cents per ordinary share of the Company, totaling HK$4,320,000 (equivalent to RMB3,795,000) proposed after the reporting date, for the year ended 31 December 2018 was not recognised as a liability at the reporting date. In addition, the final dividend is subject to the approval of the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting to be held on 31 May 2019.

9. EARNINGS PER SHARE

	2018	2017
Profit attributable to equity holders of the Company (RMB'000)	**23,641**	26,388
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	**144,000**	124,175
Effect of dilutive potential ordinary shares — share options (in '000)	**56**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	**144,056**	124,175

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. For the year ended 31 December 2017, the number of shares used for the purpose of calculating basic earnings per share has been retrospectively adjusted for the issue of shares during the Reorganisation and the capitalisation issue of shares as if the issuance of shares had occurred on 1 January 2017.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. The calculation of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2018, the conversion of potential ordinary shares in relation to the share option has a dilutive effect to the basic earnings per share. For the year ended 31 December 2017, the diluted earnings per share were equal to the basic earnings per share because the Company has no potential ordinary shares.

10. LOAN AND ACCOUNT RECEIVABLES

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Financial leasing receivables	*(a), (e)*	**431,072**	661,514
Factoring loan receivables	*(b), (e)*	**29,998**	37,950
Small loans receivables	*(c), (e)*	**18,270**	—
		479,340	699,464
Less: Allowance for ECLs		**(7,200)**	—
		472,140	699,464
Current assets			
Financial leasing receivables	*(a), (e)*	**307,745**	275,772
Factoring loan receivables	*(b), (e)*	**202,698**	172,074
Small loans receivables	*(c), (e)*	**568,607**	—
Account receivables	*(d)*	**3,602**	30
		1,082,652	447,876
Less: Allowance for ECLs		**(78,452)**	—
		1,004,200	447,876
Total loan and account receivables, net		**1,476,340**	1,147,340

Notes:

(a) For financial leasing receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The period for financial leasing contract are normally ranging from 1 to 8 years (2017: 1.5 to 8 years).

The Group's financial leasing receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the finance leases range from 4.9% to 18.7% (2017: 5.4% to 15.3%) per annum as at 31 December 2018.

As at 31 December 2018, the Group's financial leasing receivables with net carrying amount of approximately RMB126,415,000 (2017: RMB216,204,000) were carried at fixed-rate and the remaining balances of approximately RMB576,540,000 (2017: RMB721,082,000) were carried at variable-rate.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial leasing receivables comprise:				
Within one year	**345,012**	324,652	**307,745**	275,772
More than one year but not exceeding five years	**459,336**	710,367	**431,072**	651,837
More than five years	**—**	9,733	**—**	9,677
	804,348	1,044,752	**738,817**	937,286
Less: Unearned finance income	**(65,531)**	(107,466)	**—**	—
Present value of minimum lease payment	**738,817**	937,286	**738,817**	937,286

Financial leasing receivables are mainly secured by the leased assets which are equipment and machinery used in airline, medical, manufacturing, green energy and other transportation industries, certain guarantees and customers' deposits. Additional collateral may be obtained from customers to secure their repayment obligations under financial leasing and such collateral include vehicle licence. At the end of each reporting period, the carrying amounts of each of the categories of financial leasing receivables based on the industries of the lessees are as follows:

	2018	2017
	RMB'000	*RMB'000*
Airline	**540,157**	667,045
Health care service provider	**5,348**	27,373
Energy saving equipment provider	**9,591**	2,299
Public utilities provider	**—**	3,706
Others		
— Logistic service provider	**5,867**	29,802
— Manufacturing *(Note (i))*	**110,169**	126,036
— Miscellaneous *(Note (ii))*	**67,685**	81,025
	738,817	937,286

Notes:

(i) The lessees which were manufacturers were mainly engaged in the production of electronic components and plastic modules.

(ii) Miscellaneous included corporate customers mainly engaged in telecommunication, electronic, hotel and property management industries.

(b) For the factoring loan receivables, the credit period granted to each of the customers is generally for a period of one year to two years (2017: one year to two years). The effective interest rate of the above factoring loan receivables is ranging from 7.2% to 12.0% (2017: 7.7% to 16.3%) per annum as at 31 December 2018.

As at 31 December 2018, the factoring loan receivables were collateralised by the customers' accounts receivables with fair value of approximately RMB341,800,000 (2017: RMB306,810,000).

(c) For the small loans receivables, it primarily represented the micro-credit loans and guaranteed loans granted to the customers. The loan periods granted to each of the customers is generally for a period of one week to five years (2017: Nil). The effective interest rate of the above small loans receivables is ranging from 8.04% to 27.84% (2017: Nil) per annum as at 31 December 2018.

Certain loan receivables are mainly secured by (i) real estates such as buildings with fair values of approximately RMB21,827,000 and (ii) movable properties such as motor vehicles with fair values of approximately RMB22,241,000.

(d) For account receivables, it comprises receivables in respect of upfront loan facilitation services (2017: financial advisory services). The account receivables are recognised when the upfront loan facilitation services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from such services are recognised based on the price stipulated in the contracts, to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the services are made with a credit period not more than one week after revenue recognition.

(e) In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers.

The directors of the Company consider that the fair values of current portion of loan receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair value of the non-current portion of loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As such, the amortised cost of the non-current portion approximates its fair value.

Based on the maturity date set out in the relevant contracts, ageing analysis of the Group's loan and account receivables (after allowance for ECLs) as of each reporting date is as follows:

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**110,010**	60,478
31 to 90 days	**187,546**	80,951
91 to 365 days	**706,644**	306,447
Over 365 days	**472,140**	699,464
	1,476,340	1,147,340

Simplified approach is applied to measure the lifetime ECL for certain of its loan receivables (loan receivables of direct lease under HKAS 17 and loan receivables which are short term in duration (i.e. less than one year) and account receivables) and the remaining loan receivables is measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

Allowance for ECLs on loans to customers are estimated using a calculation model observable data as at the end of the reporting period, including the difference between (i) the interest rates of interest charged by the Group for the loans, and the PBOC benchmark lending rates; and (ii) administrative service cost of the Group. The Group has recognised allowance for ECLs, representing approximately 5.5% of the gross carrying amounts, against all loan and account receivables as at 31 December 2018 due to the collective assessments which indicated that these receivables may not be fully recoverable because of risks associated with the customers and the industries, in which the customers operate.

Upon the adoption of HKFRS 9, according to the change in the level of credit risk compared with the level at initial adoption, loan and account receivables are classified into 12-m ECL and Lifetime ECL.

	31 December 2018			1 January 2018		
	Present value of loan and account receivables	**Expected credit losses**	**Carrying amount**	Present value of finance lease receivables	Expected credit losses	Carrying amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
12-m ECL	**412,721**	**(16,756)**	**395,965**	391,323	(9,001)	382,322
Lifetime ECL	**1,149,271**	**(68,896)**	**1,080,375**	756,017	(35,538)	720,479
	1,561,992	**(85,652)**	**1,476,340**	1,147,340	(44,539)	1,102,801

The following is a credit quality analysis of loan and account receivables under HKFRS 9. In the event that an instalment repayment is overdue, the entire outstanding balance of loan and account receivables is classified as overdue.

	2018
	RMB'000
Neither overdue nor credit-impaired	**1,465,953**
Overdue but not credit-impaired	
— overdue within 30 days	**27,635**
— overdue within 31 to 90 days	**7,047**
Overdue and credit-impaired	**61,357**
	1,561,992
Less: Allowance for ECLs	**(85,652)**
	1,476,340

As at 31 December 2018, the Group considers the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions as the reporting date, the Group has transferred the 12-m ECL of loan and account receivables into lifetime ECL when there was significant increase in credit risk.

The following is a credit quality analysis of loan and account receivables under HKAS 39. In the event that the instalment repayment is overdue, only the balance of this instalment is classified as overdue.

	2017
	RMB'000
Neither overdue nor impaired	1,133,935
Overdue within 30 days	5,516
Overdue 30 to 90 days	3,996
Overdue above 90 days	3,893
	1,147,340

Loan and account receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

As at 31 December 2017, the Group reviewed and assessed for impairment individually based on customers' payment history and the values of the assets pledged. Loan and account receivables that were past due but not impaired relate to customers that have good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality for these customers and the balances were still considered fully recoverable.

Movement of allowances for ECLs on loan and account receivables under HKFRS 9 are as follows:

	12-m ECL	Lifetime ECL — not credit impaired	Lifetime ECL — credit impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	—	—	—	—
Effect arising from adoption of HKFRS 9 *(Note a)*	9,001	25,023	10,515	44,539
Changes in the loss allowance:				
Transferred to Lifetime ECL — not credit impaired	—	—	—	—
Transferred to Lifetime ECL — credit impaired	—	—	—	—
(Credited)/Charged to profit or loss *(Note b)*	(18)	(15,566)	17,468	1,884
Acquisition of a subsidiary	7,773	9,625	21,831	39,229
As at 31 December 2018	16,756	19,082	49,814	85,652

Notes:

(a) Following the adoption of HKFRS 9 on 1 January 2018, the impairment loss has been assessed using ECL method, with no restatement to prior period comparatives. Refer to Note 3 for information on the adoption of HKFRS 9.

(b) There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for the loan and account receivables.

In relation to the Group's financial leasing receivables, the Group has taken legal actions against three customers with regards to the overdue instalment repayment. As at 31 December 2018, the total balance of outstanding principal and interest was amounted to approximately RMB32,105,000, of which approximately RMB14,616,000 was considered as overdue instalment. Up to the date of this announcement, there was no final decision made by the court in respect of the legal proceedings. The directors of the Company, after taking the legal advice into consideration, were of the view that the balances could be fully recovered by the way of enforcement measurement according to the Civil Procedure Law of the People's Republic of China.

On 19 March 2018, the Group entered into certain factoring agreements with certain financial institutions and customers in relation to financial leasing receivables of the total balance of outstanding principal and interest amounting to approximately RMB33,056,000, of which approximately RMB7,702,000 had been overdue as at 31 December 2017 but no impairment provision was made. Under the arrangements, the Group assigned the financial leasing receivables to the financial institutions in exchange for payment by the financial institutions for the acquisition of the financial leasing receivables owned by the Group without recourse. During the year, the financial institutions had fully settled such balance.

11. BANK AND OTHER BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Bank borrowings — secured*:		
Within one year	**252,351**	117,569
More than one year, but not exceeding two years	**149,020**	147,569
More than two years, but not exceeding five years	**256,600**	393,868
More than five years	**—**	9,677
Other borrowings — unsecured	**50,244**	—
Within one year	**708,215**	668,683
Less: Amount shown under current liabilities	**(302,595)**	(117,569)
Amount shown under non-current liabilities	**405,620**	551,114

* The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

As at 31 December 2018, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (2017: 105% to 110%) of the benchmark rate offered by the PBOC and the other borrowings carried annual interest of 16.0% per annum (2017: Nil). As at 31 December 2018, the effective interest rates of the Group's secured bank borrowings were ranging from 5.0% to 8.2% (2017: 4.5% to 5.0%) per annum and that of the unsecured other borrowings was 16.0% (2017: Nil).

As at 31 December 2018, all (2017: all) of the Group's bank borrowings were secured by charges over certain leased assets and finance lease receivables except for one bank borrowing amounting to RMB100,000,000 (2017: Nil) which is secured by charges over the property (with fair value of approximately RMB74,975,000) which is jointly owned by Mr. Lo and his sibling, Mr. Lu and the wife of Mr. Lo and jointly guaranteed by a related company, Mr. Lu and his wife (with an aggregate amount up to RMB32,903,000).

As at 31 December 2018, the Group's unsecured other borrowing was jointly guaranteed by a related company, Mr. Lo and Mr. Lu (with an aggregate amount up to RMB150,000,000).

The Group's bank and other borrowings are denominated in RMB which is the functional currency of the relevant group entities.

12. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 of each		
Authorised:		
At 1 January 2017	39,000,000	390
Increase in authorised share capital *(note b)*	19,961,000,000	199,610
At 31 December 2017 and 31 December 2018	20,000,000,000	200,000

	Number of ordinary shares	**Amount**
		HK$'000
Issued and fully paid:		
At 1 January 2017	1,000	—*
Issue of shares upon Share Offer *(note c)*	36,000,000	312
Capitalisation issue of shares *(note d)*	107,999,000	936
At 31 December 2017 and 31 December 2018	144,000,000	1,248

* Amount less than RMB1,000

Notes:

(a) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 with the authorised share capital of amount of HK$390,000 divided into 39,000,000 ordinary shares of HK$0.01 each, of which one share was allotted and issued at HK$0. 01 to the initial subscriber on 10 December 2015, which was subsequently on the same date transferred to Wealthy Rise, the ultimate holding company of the Group which is wholly and beneficially-owned by Mr. Lo, the executive director of the Company.

(b) Pursuant to the written resolutions of the shareholders passed on 19 June 2017, conditional on the conditions as set out in the section headed "Structure and Conditions of the Share Offer" in the Prospectus, the authorised share capital of the Company was increased from HK$390,000 to HK$200,000,000 by creation of an additional 19,961,000,000 shares to rank *pari passu* with the existing shares.

(c) On 21 July 2017, 36,000,000 ordinary shares of HK$0.01 each of the Company were issued at a price of HK$5.56 by way of Share Offer. On the same date, the Company's shares were listed on the Exchange. Out of the proceeds, an amount of HK$360,000 (equivalent to RMB312,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining amount of the proceeds of HK$199,800,000 (equivalent to RMB173,142,000), before issue expenses, were credited to the share premium account.

(d) Pursuant to the written resolutions of the shareholders passed on 19 June 2017, upon the share premium account of the Company being credited as a result of the Share Offer of the Company's shares, the directors of the Company were authorised to capitalise an amount of approximately HK$1,079,000 (equivalent to RMB936,000) standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of 107,999,000 shares for allotment and issue to the shareholders of the Company (the "Capitalisation Issue"), all of which shall rank *pari passu* in all respects with the existing shares. The Capitalisation Issue was completed on 21 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the provision of financial leasing, financial leasing related factoring service and advisory service. In 2018, the Group has also completed a major and connected acquisition and obtained controlling interest of a company in microfinance industry as an expansion in Shenzhen financial market.

Year 2018 was a challenging year in the macro environment in Mainland China. In the first half of 2018, direct pressure has been exerted on financial market in Mainland China by the financial deleverage reform which directly increased the market interest rate in Mainland China. Moreover, the Sino-US trade friction also brought higher market uncertainty which slowed down growth in Mainland China's economy. During the year ended 31 December 2018, the operating results of the Group dropped as most of the Group's customers are SMEs which are less risk resilient to the adverse changes in the market conditions and the economic environment.

The revenue of the Group was mainly derived from financial leasing interest income, financial leasing related factoring service income, the loan facilitation income and advisory services income, accounting for approximately 52.4%, 25.6%, 12.1% and 9.9% of the total revenue of the Group, respectively.

In view of the negative impact on the financial market in China, the Directors took a prudent approach from the perspective of risk control in signing new contracts in financial leasing. While the Directors anticipate a sound and steady growth, our business will continue to grow in the near future as a result of the acquisition of microfinance company, which expands our sales channel and allocate the Group's resources in a more efficient and effective manner. Therefore, the Group benefits from the synergy effect of acquisition of the microfinance company by providing not only financial leasing, financial leasing related factoring, and advisory services to its corporate customers, but also small loans to individual customers and other small private companies, thereby broadening the customer base. In 2018, the Group provided financial leasing services and advisory services to customers including airline company, health care service provider and manufacturer.

Over the years, the Group's financial leasing services were targeting potential customers of different sizes in various industries who have financing needs of an alternative source of financing as compare to traditional sources of financing. The Directors expect that by broadening our customer base, financial leasing services and/or small loans to different markets would be in demand and maintaining good relationship with the customers, manufacturers and banks is crucial to maintaining the Group's sustainable success.

FINANCIAL REVIEW

The following discussion and analysis pertains to the financial information of the Group.

Revenue

The Group's revenue was derived from (i) interest income from financial leasing; (ii) interest income from financial leasing related factoring; (iii) financial leasing advisory services income; and (iv) other financial advisory services income; and (v) loan facilitation service income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded a decrease by approximately 14.1% from approximately RMB96.6 million for the year ended 31 December 2017 to approximately RMB83.0 million for the year ended 31 December 2018. The decrease was mainly due to the drop in new financial leasing contracts entered between the Group and the customers in 2018 as a result of the Sino-US trade friction. For the year ended 31 December 2018, the interest income from financial leasing contributed approximately RMB43.5 million (for the year ended 31 December 2017: approximately RMB57.0 million). The interest income from financial leasing related factoring contributed approximately RMB21.3 million for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB9.4 million). The Group's advisory services mainly include financial leasing advisory services, and other financial advisory services, contributed approximately RMB8.2 million for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB30.2 million). Moreover, the Group expanded to provide loan facilitation service which contributed approximately RMB10.0 million to the revenue for the year ended 31 December 2018 (for the year ended 31 December 2017: nil). The Directors intend to remain focused on the financial leasing services, factoring and microlending in the future to achieve long term growth.

Other income

Other income increased by approximately RMB5.56 million from approximately RMB1.67 million for the year ended 31 December 2017 to approximately RMB7.23 million for the year ended 31 December 2018, due to the interest income gained from the short-term investment which was fully redeemed in June 2018 and other taxes refund resulted from the implementation of change in VAT rates.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB4.3 million or 58.1% from approximately RMB7.4 million for the year ended 31 December 2017 to approximately RMB11.7 million for the year ended 31 December 2018, due to the increase in the manpower arising from the Group's business expansions and the equity settled share-based payment.

Other operating expenses

Other operating expenses included primarily the entertainment expense, legal and professional fee, travelling expenses, etc. For the year ended 31 December 2018, the other operating expenses was approximately RMB7.9 million (for the year ended 31 December 2017: approximately RMB6.0 million), representing approximately 9.5% of the Group's total revenue (for the year ended 31 December 2017: approximately 6.2%).

Finance Cost

The finance cost decreased by approximately 4.6% from approximately RMB34.8 million for the year ended 31 December 2017 to approximately RMB33.2 million for the year ended 31 December 2018.

Profit for the year attributable to the owners of the Company

Profit for the year decreased by approximately RMB3.4 million, or approximately 12.9%, from approximately RMB26.4 million for the year ended 31 December 2017 to approximately RMB23.0 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in revenue and the increase in employee benefit expenses and legal expense.

Dividend

The Board recommended the declaration of a final dividend of HK3 cents per share, subject to Shareholders' approval at the annual general meeting to be held on 31 May 2019. The final dividend will be payable on or about 30 June 2019 to Shareholders whose names appear on the register of members of the Company on 10 June 2019.

Liquidity, financial resources and capital resources

As at 31 December 2018, the cash and cash equivalents were approximately RMB61.2 million (31 December 2017: approximately RMB56.0 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB702.7 million (31 December 2017: approximately RMB371.0 million) and approximately RMB676.4 million (31 December 2017: approximately RMB486.5 million), respectively.

As at 31 December 2018, the Group's bank borrowings with maturity within one year amounted to approximately RMB252.4 million (31 December 2017: approximately RMB117.6 million) and the Group's bank borrowings with maturity exceed one year decreased to approximately RMB405.6 million (31 December 2017: approximately RMB551.1 million). Remaining portion of the indebtedness represented unsecured other borrowings amounted to approximately RMB50.2 million (31 December 2017: nil).

Gearing ratio (total bank borrowing/total equity) as at 31 December 2018 was approximately 104.7% (31 December 2017: approximately 137.4%). Such decrease was due to the acquisition of microfinance subsidiary.

Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principal and interest of financial leasing; (ii) factoring loan receivables; (iii) small loan receivables; and (iv) accounts receivables of advisory services fees and upfront loan facilitation service fees. As at 31 December 2018, the loan and account receivables were approximately RMB1,484.0 million (31 December 2017: approximately RMB1,147.3 million), and this increase was mainly due to the expansion of business in small loans receivable during the year of 2018.

Capital commitments

As at 31 December 2018, the Group had no capital commitments (31 December 2017: Nil).

Employees and remuneration policy

As at 31 December 2018, the Group employed 89 full time employees (as at 31 December 2017: 40) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB11.7 million for the year ended 31 December 2018 (year ended 31 December 2017: RMB7.4 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

RISK MANAGEMENT

The Group's business operations are conducted for the PRC financial leasing market in the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in the PRC.

Being a financial leasing service provider, the Group has implemented a risk management system to mitigate the risks arising for its daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are (i) risk management department, (ii) business development department, and (iii) accounting and finance department. Potential business opportunities are assessed by the business development department on the potential customer's background, credit records, financials and the underlying assets. The risk management department reviews all given information thoroughly and considers relevant risk factors. Where necessary, external legal advisors are engaged to assess the potential legal issues. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitors financial leasing receivables to review the ongoing risk exposure of the Group.

The Directors take both macro and micro economic conditions into account before making business decisions. Given the recent volatility in PRC economy and financial market, the Group has been more cautious in the selection of high calibre customers. The Group will continue to improve risk management capabilities by better allocation of resources and refining process workflow, such as involving credit assessment and approval procedures to enhance the customer selection process.

In addition, the Group intends to improve the information technology system to assist us in collecting more accurate information and allow us to be more effective in reviewing the financial and operational status of the customers. The Group will also continue to expand the risk management team to cater for the additional work arising from our expanding business operations, and allocate sufficient manpower to maintain an appropriate risk reward balance.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 144,000,000 shares of the Company in total.

As at 31 December 2018, 4,320,000 Shares had been granted under the Share Option Scheme during the year ended 31 December 2018. As at the date of this result announcement, 2,880,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 2% of the total number of issued shares at that date and none is lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material subsequent event after 31 December 2018 and up to the date of this announcement.

OUTLOOK AND PLANS

In the year 2018, the Group dedicated the effort in the provision of financial services notwithstanding the growing uncertainties in the PRC market. The Group will continue to maintain a prudent and balanced approach by adjusting its strategies, such as the expansion in business channels and the widening of SME and high-quality enterprises customer base, by becoming the controlling shareholder of a microfinance company in Shenzhen.

The Group will continue to adopt the current prudent approach to sustain business growth by conservatively expanding business with diversified customer base, while maintaining a good relationship with the existing customers and banks. The Board will cautiously monitor the external business environment, with the aim to develop a more diversified customer base and provide various services to the customers to maintain our competitiveness in the market. Looking ahead to 2019, the Board believe that the Group will sustain its growth by refining its business operations and delivering quality services to high calibre customers in the coming year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the rules governing the listing of securities on the Exchange Hong Kong Limited ("Listing Rules"). During the year ended 31 December 2018, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

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

Since the Listing date to 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

As disclosed in the announcement of the Company dated 9 May 2018, CWW Leasing, an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with the then shareholders of 深圳市浩森小額貸款股份有限公司 (Shenzhen Haosen Credit Joint Stock (Limited) Company* ("Haosen Credit")), and agreed to make cash contribution of RMB32,000,000 for increase of the registered capital of Haosen Credit. Upon completion of the aforesaid capital increase and as at the date of this announcement, CWW Leasing has held 8% equity interests in Haosen Credit.

On 22 August 2018, Wealthy Way International Finance Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into an agreement with, among others, 廣東恒豐投資集團有限公司 (Guangdong Hengfeng Investment Group Limited*) (the "Vendor"), and Mr. Lu Nuanpei (the "Guarantor"). Pursuant to the agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire 47% equity interests in Haosen Credit at the

* *For identification purpose only*

Consideration of RMB156,700,000 (subject to adjustment, where applicable). The Consideration shall be settled (a) by way of cash in an amount of RMB47,010,000; and (b) by way of issue of the Promissory Note by the Purchaser for the remaining balance of RMB109,690,000. The Guarantor has also agreed to warrant and guarantee to the Purchaser the due performance by the Vendor and by Haosen Credit of all their obligations under the Agreement and the transactions contemplated thereunder.

The relevant resolution in relation to the Acquisition was passed as ordinary resolution by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 7 December 2018.

The completion of the acquisition took place on 24 December 2018. Upon Completion, the Company indirectly owns an aggregate of 55% equity interests in Haosen Credit, and Haosen Credit becomes an indirect non-wholly owned subsidiary of the Company. Accordingly, the financial results, assets and liabilities of Haosen Credit has been consolidated into the consolidated financial statements of the Group.

Details of the acquisition were set out in the announcement of the Company dated 22 August 2018, the circular of the Company dated 21 November 2018 and the announcement of the Company dated 24 December 2018.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the financial year.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Ha Tak Kong, Mr. Ip Chi Wai and Ms. Hung Siu Woon Pauline. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the year ended 31 December 2018, complied with the required standards set out therein.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.cwl.com) and the Exchange (www.hkexnews.hk). The 2018 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 May 2019 (Tuesday) to 31 May 2019 (Friday) (both dates inclusive), during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 31 May 2019, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 27 May 2019 (Monday).

The register of members of the Company will be closed from 6 June 2019 (Thursday) to 10 June 2019 (Monday) (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 5 June 2019 (Wednesday).

By order of the Board
Wealthy Way Group Limited
Lo Wai Ho
Chairman and Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises Mr. Lo Wai Ho and Ms. Chan Shuk Kwan Winnie as executive Directors; Mr. Xie Weiquan as non-executive Director; and Mr. Ha Tak Kong, Mr. Ip Chi Wai and Ms. Hung Siu Woon Pauline as independent non-executive Directors.

* *The English name is for identification purpose only*