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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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*5*	**196,617**	83,046
Other income	*5*	**9,658**	7,229
Employee benefit expenses		**(22,649)**	(11,686)
Depreciation		**(5,293)**	(501)
Operating lease expense		**(442)**	(1,561)
Other operating expenses		**(32,285)**	(7,907)
Fair value loss on contingent consideration payable		**(3,416)**	—
Allowance for expected credit losses ("ECLs") on loan and account receivables, net		**(14,494)**	(1,884)
Finance cost	*6*	**(61,911)**	(33,177)
Profit before income tax	*7*	**65,785**	33,559
Income tax expense	*8*	**(24,421)**	(10,553)

	Note	2019 RMB'000	2018 RMB'000
Profit for the year		**41,364**	23,006
Profit for the year attributable to:			
Equity holders of the Company		**36,270**	23,641
Non-controlling interests		**5,094**	(635)
		41,364	23,006
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**1,728**	1,486
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income ("FVOCI")		**5,684**	—
Total comprehensive income for the year		**48,776**	24,492
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**43,682**	25,127
Non-controlling interests		**5,094**	(635)
		48,776	24,492
Earnings per share attributable to equity holders of the Company	*10*		
Basic		**23.90 cents**	16.42 cents
Diluted		**23.90 cents**	16.41 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,136**	3,359
Right-of-use assets		**5,153**	—
Intangible assets		**8,847**	—
Financial assets at FVOCI		**49,684**	—
Deposits for acquisition of investment properties		**22,000**	—
Other assets		**382**	—
Loan and account receivables	*11*	**244,493**	472,140
Prepayments, deposits and other receivables		**1,289**	—
Deferred tax assets		**20,240**	21,406
		356,224	496,905
Current assets			
Loan and account receivables	*11*	**1,280,391**	1,004,200
Prepayments, deposits and other receivables		**31,212**	2,353
Amounts due from related parties		**146**	290
Tax recoverable		**—**	410
Cash and cash equivalents		**42,666**	61,201
		1,354,415	1,068,454
Current liabilities			
Account payables	*12*	**6,626**	—
Deposits from financial leasing customers		**11,829**	5,880
Accruals and other payables		**45,623**	17,208
Amounts due to related parties		**3,572**	845
Lease liabilities		**2,708**	—
Dividend payable		**392**	13,768
Contingent consideration payable		**19,600**	19,600
Bond payable		**17,879**	—
Bank and other borrowings	*13*	**373,198**	302,595
Tax payable		**7,933**	5,821
		489,360	365,717
Net current assets		**865,055**	702,737
Total assets less current liabilities		**1,221,279**	1,199,642

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deposits from financial leasing customers		**3,495**	25,543
Lease liabilities		**2,549**	—
Bank and other borrowings	*13*	**353,972**	405,620
Contingent consideration payable		**—**	16,184
Promissory note		**66,922**	75,846
		426,938	523,193
Net assets		**794,341**	676,449
EQUITY			
Share capital	*14*	**1,349**	1,248
Reserves		**615,094**	502,397
Total equity attributable to equity holders of the Company		**616,443**	503,645
Non-controlling interests		**177,898**	172,804
Total equity		**794,341**	676,449

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital *RMB'000* *(Note 14)*	Proposed final dividend# *RMB'000* *(Note 9)*	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 2018	1,248	—	163,723	—	(4,216)	218,400	13,164	94,182	486,501	—	486,501
Adoption of Hong Kong Financial Reporting Standard ("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 options expenses	—	—	—	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 9(a))*	—	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

	Share capital RMB'000 (Note 14)	Proposed final dividend# RMB'000 (Note 9)	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 2019	1,248	3,795	159,928	4,080	(2,730)	239,741	16,766	80,817	503,645	172,804	676,449
Comprehensive income:											
Profit for the year	—	—	—	—	—	—	—	36,270	36,270	5,094	41,364
Other comprehensive income:											
Exchange differences arising on translating foreign operations	—	—	—	—	1,728	—	—	—	1,728	—	1,728
Fair value gain on financial assets at FVOCI	—	—	—	—	—	—	—	5,684	5,684	—	5,684
Total comprehensive income for the year	—	—	—	—	1,728	—	—	41,954	43,682	5,094	48,776
Transactions with equity holders of the Company:											
Equity settled share options expenses	—	—	—	6,936	—	—	—	—	6,936	—	6,936
Issue of shares upon exercise of share options	101	—	75,184	(9,145)	—	—	—	—	66,140	—	66,140
Arising from acquisition of subsidiaries	—	—	—	—	—	142	—	—	142	—	142
	101	—	75,184	(2,209)	—	142	—	—	73,218	—	73,218
Final dividend *(Note 9(b))*	—	(3,795)	(307)	—	—	—	—	—	(4,102)	—	(4,102)
Proposed final dividend *(Note 9(a))*	—	6,952	(6,952)	—	—	—	—	—	—	—	—
Transferred to statutory surplus reserve	—	—	—	—	—	—	21,055	(21,055)	—	—	—
At 31 December 2019	1,349	6,952	227,853	1,871	(1,002)	239,883	37,821	101,716	616,443	177,898	794,341

These reserves accounts comprise the consolidated reserves of approximately RMB615,094,000 (2018: RMB502,397,000) in the consolidated statement of financial position

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 (i) provision of financial leasing, factoring and financial advisory services, small loans and related loan facilitation services in the People's Republic of China (the "PRC"); and (ii) provision of investment management and advisory services, securities dealing and broking services and money lending business in Hong Kong. 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 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 ("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 2018 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 adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2019 for the preparation of the Group's consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
HKFRS 9 Amendments	Prepayment Features with Negative Compensation
HKAS 19 Amendments	Plan Amendment, Curtailment of Settlement
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
HKFRSs Amendments	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the adoption of new and revised HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on disclosures set out in the consolidated financial statements.

3.1 Key changes in accounting policies resulting from initial application of HKFRS 16

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and the related interpretations and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019, and the cumulative effect of initial application has been recognised as an adjustment to the opening balances as at 1 January 2019, the comparative information has not been restated and continues to be reported under HKAS 17.

(1) Measurement of lease liabilities

On application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.9% to 11.0%.

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

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**8,340**
Less: Commitments relating to short term leases and those leases with remaining lease term ending within 12 months from the date of initial application	**(299)**
Add: Modification of lease on 1 January 2019	**266**
Less: Effects of discounting using the applicable incremental borrowing rate at the date of initial application	**(782)**
Lease liabilities discounted at relevant incremental borrowing rates to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	**7,525**
Analysed as:	
Current	**3,328**
Non-current	**4,197**
	7,525

(2) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(3) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	—	7,525	7,525
Current Liabilities			
Lease liabilities	—	3,328	3,328
Non-current Liabilities			
Lease liabilities	—	4,197	4,197

(4) When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis; and

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease terms of certain leases of properties for the Group's leases with extension and termination options.

As a lessor

Lessor accounting under HKFRS 16 is substantially, unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope HKFRS 9.

3.2 Impact on the financial result and cash flows of the Group

As a lessee

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term.

In the consolidated statement of cash flows, the Group as a lessee is required to classify rentals paid under capitalised leases as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of HKFRS 16 has had no material impact on the Group's consolidated financial statements for the year ended 31 December 2019.

The Group has not early adopted any of the following new and revised 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 28 and HKFRS 10 Amendments	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
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
HKFRS 17	Insurance contracts	1 January 2021

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2019. 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.

4. SEGMENT INFORMATION

HKFRS 8, Operating Segments, required identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Money lending — provision of loan financing and related services in Hong Kong and the PRC
(ii) Securities dealing — provision of securities brokerage, share placing and margin financing services in Hong Kong

During the year ended 31 December 2019, the directors of the Company have identified a new business segment "Securities dealing" upon the acquisition of Wealth Ton Finance Group Limited ("Wealth Ton") and its subsidiaries (collectively, "Wealth Ton Group"). Certain comparative figures of segment information were therefore reclassified to conform with current year's presentation.

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2019	**Money lending** *RMB'000*	**Securities dealing** *RMB'000*	**Total** *RMB'000*
Revenue			
External income	**195,523**	**1,094**	**196,617**
Segment results	**86,382**	**7,262**	**93,644**
Unallocated corporate income			**1**
Unallocated corporate expenses			**(24,444)**
Fair value loss on contingent consideration payable			**(3,416)**
Profit before income tax			**65,785**
Income tax expense			**(24,421)**
			41,364

For the year ended 31 December 2018	**Money lending** *RMB'000*	**Securities dealing** *RMB'000*	**Total** *RMB'000*
Revenue			
External income	83,046	—	83,046
Segment results	44,497	—	44,497
Unallocated corporate income			127
Unallocated corporate expenses			(11,065)
Profit before income tax			33,559
Income tax expense			(10,553)
			23,006

Segment results represents profit earned by or loss incurred from each segment without allocation of certain other income, fair value loss on contingent consideration payable and certain other operating expenses. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance. There were no inter-segment sales for the year.

Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

As at 31 December 2019	**Money lending** *RMB'000*	**Securities dealing** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,555,000**	**57,633**	**1,612,633**
Deferred tax assets			**20,240**
Financial assets at FVOCI			**49,684**
Deposits for acquisition of investment properties			**22,000**
Unallocated corporate assets			**6,082**
Consolidated total assets			**1,710,639**
Segment liabilities	**763,860**	**7,170**	**771,030**
Tax payable			**7,933**
Contingent consideration payable			**19,600**
Promissory note			**66,922**
Bond payable			**17,879**
Unallocated corporate liabilities			**32,934**
Consolidated total liabilities			**916,298**

As at 31 December 2018	**Money lending** *RMB'000*	**Securities dealing** *RMB'000*	**Total** *RMB'000*
Segment assets	1,540,990	—	1,540,990
Tax recoverable			410
Deferred tax assets			21,406
Unallocated corporate assets			2,553
Consolidated total assets			1,565,359
Segment liabilities	770,462	—	770,462
Tax payable			5,821
Contingent consideration payable			35,784
Promissory note			75,846
Unallocated corporate liabilities			997
Consolidated total liabilities			888,910

For the purpose of monitoring segment performances and allocating resources between segments:

— All assets are allocated to operating segments other than financial assets at FVOCI, deposits for acquisition of investment properties, tax recoverable, deferred tax assets and unallocated corporate assets.

— All liabilities are allocated to operating segments other than contingent consideration payable, promissory note, bond payable, tax payable and unallocated corporate liabilities.

5. REVENUE AND OTHER INCOME

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Point in time		
— Upfront loan facilitation service income	**3,261**	8,326
— Commission and brokerage income from securities dealing	**341**	—
— Placing and underwriting service income	**6**	—
— Financial advisory services income		
— Financial leasing advisory services income	**64**	4,280
— Other financial advisory service income	**2,203**	3,930
Over time #		
— Post loan facilitation service income	**40,265**	1,697
	46,140	18,233
Revenue from other sources *		
— Interest income from financial leasing	**42,525**	43,518
— Interest income from factoring	**17,997**	21,295
— Interest income from small loans	**88,113**	—
— Interest income from margin financing	**747**	—
— Interest income from other loans	**1,095**	—
	150,477	64,813
	196,617	83,046
Other income		
Bank interest income	**246**	238
Other taxes refund *(Note)*	**9,097**	5,181
Dividend income	**—**	1,206
Gain on disposals of property, plant and equipment	**32**	126
Gain on modification of lease	**79**	—
Sundry income	**204**	478
	9,658	7,229

* Interest income were calculated using the effective interest income according to HKFRS 9. All the interest income disclosed in the above came from financial assets not at fair value through profit or loss.

\# The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about remaining performance obligation that have original expected duration of one year of less.

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 the Group has an unconditional right to the above refund upon the application is approved by the relevant authorities.

6. FINANCE COST

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank and other borrowings	**50,845**	33,177
Interest on lease liabilities	**552**	—
Interest on bond payable	**599**	—
Interest on promissory note	**9,915**	—
	61,911	33,177

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2019 *RMB'000*	2018 *RMB'000*
Auditor's remuneration		
— Audit services	**775**	833
— Non-audit services (Note)	**—**	1,028
	775	1,861
Depreciation charged on:		
— property, plant and equipment	**1,544**	501
— right-of-use assets	**3,749**	—
	5,293	501
Acquisition-related costs incurred (including auditor's remuneration for non-audit services)	**536**	2,269
Employee benefit expenses (including directors' remuneration)		
— Salaries, allowances and benefits in kind	**18,758**	8,342
— Retirement benefit scheme contributions	**3,108**	1,304
— Equity settled share-based payment	**783**	2,040
	22,649	11,686
Equity settled share-based payment		
— Employee benefit expenses (as above)	**783**	2,040
— Referral fees/Consultancy fees	**6,153**	2,040
	6,936	4,080
Commission paid	**13,522**	—
Foreign exchange difference, net	**23**	673
Reversal of ECLs on other receivables	**(7,643)**	—
Bad debts written off of loan and account receivables, net	**8,921**	—

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.

8. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
The charge comprises:		
Current tax for the year		
— PRC Enterprise Income Tax ("EIT")	**21,301**	11,017
— Hong Kong Profit Tax	**—**	—
Deferred tax credit	**3,120**	(464)
	24,421	10,553

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.

PRC EIT is calculated at 25% (2018: 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.

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward which are available for off-set against the estimated assessable profits for the year (2018: the Group did not generate any assessable profits arising in Hong Kong).

9. DIVIDEND

(a) Dividend attributable to the year

	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend of HK5 cents (2018: HK3 cents) per ordinary share	**6,952**	3,795

The final dividend proposed after the reporting date for the years ended 31 December 2019 and 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 27 May 2020.

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year of HK3 cents (2018: Nil) per ordinary share	**3,795**	—
Adjustment to the final dividend (Note)	**307**	—
	4,102	—

Note: The adjustment was made due to shares issued prior to the record date of the final dividend, and, therefore, the related shares ranked for this dividend payment.

10. EARNINGS PER SHARE

	2019	2018
Profit attributable to equity holders of the Company (RMB'000)	**36,270**	23,641
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	**151,764**	144,000
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)	**151,764**	144,056

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.

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. As at 31 December 2019 and 2018, 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 2019, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect (2018: a dilutive effect) to the basic earnings per share as the exercise price of the options exceeds the average market price of ordinary shares during the year.

11. LOAN AND ACCOUNT RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Loan and account receivables from money lending business	**1,600,536**	1,561,992
Less: Allowance for ECLs	**(83,987)**	(85,652)
	1,516,549	1,476,340
Account receivables from securities dealing business	**8,781**	—
Less: Allowance for ECLs	**(446)**	—
	8,335	—
	1,524,884	1,476,340
Analysed into:		
Non-current portion	**244,493**	472,140
Current portion	**1,280,391**	1,004,200
Total	**1,524,884**	1,476,340

Loan and account receivables from money lending business

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Non-current assets			
Financial leasing receivables	*(a), (f)*	**248,223**	431,072
Factoring loan receivables	*(b), (f)*	**—**	29,998
Small loans receivables	*(c), (f)*	**8,601**	18,270
		256,824	479,340
Less: Allowance for ECLs		**(12,331)**	(7,200)
		244,493	472,140
Current assets			
Financial leasing receivables	*(a), (f)*	**434,676**	307,745
Factoring loan receivables	*(b), (f)*	**162,987**	202,698
Small loan receivables	*(c), (f)*	**708,109**	568,607
Other loan receivables	*(d)*	**29,718**	—
Account receivables	*(e)*	**8,222**	3,602
		1,343,712	1,082,652
Less: Allowance for ECLs		**(71,656)**	(78,452)
		1,272,056	1,004,200
Total loan and account receivables, net		**1,516,549**	1,476,340

Notes:

(a) ***Financial leasing receivables***

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 0.5 to 8 years (2018: 1 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 20.1% (2018: 4.9% to 18.7%) per annum as at 31 December 2019.

As at 31 December 2019, the financial leasing receivables were collateralised by the leased assets with fair values of approximately RMB1,347,168,000 (2018: RMB1,379,908,000).

	Minimum lease payments		**Present value of minimum lease payments**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial leasing receivables comprise of:				
Within one year	**460,477**	345,012	**434,676**	307,745
More than one year but not exceeding two years	**209,056**	197,783	**199,878**	179,482
More than two years but not exceeding three years	**40,474**	211,274	**38,670**	203,214
More than three years but not exceeding four years	**9,805**	40,474	**9,675**	38,700
More than four years but not exceeding five years	**—**	9,805	**—**	9,676
	719,812	804,348	**682,899**	738,817
Less: Unearned finance income	**(36,913)**	(65,531)	**—**	—
Present value of minimum lease payments	**682,899**	738,817	**682,899**	738,817

(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 (2018: one year to two years). The effective interest rate of the above factoring loan receivables is ranging from 5.9% to 20.1% (2018: 7.2% to 12.0%) per annum as at 31 December 2019.

As at 31 December 2019, the factoring loan receivables were collateralised by the customers' accounts receivables with fair value of approximately RMB259,884,000 (2018: RMB341,800,000).

(c) For the small loan 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 3 months to three years (2018: one week to five years). The effective interest rate of the above small loans receivables is ranging from 12.0% to 27.8% (2018: 8.0% to 27.8%) per annum as at 31 December 2019.

As at 31 December 2019, certain loan receivables are mainly secured by (i) real estates such as buildings with fair values of approximately RMB34,851,000 (2018: RMB21,827,000) and (ii) equity interests with fair values of approximately RMB10,144,000 (2018: Nil).

(d) For the other loan receivables, it represented the unsecured loans granted to the customers. The loan periods granted to each of customers is generally for a period of one year (2018: Nil). The effective interest rate of the above other loans receivables is ranging from 12% to 18% (2018: Nil) per annum as at 31 December 2019.

(e) Balances comprise receivables in respect of loan facilitation 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 is recognised based on the price stipulated in the contracts. No element of financing is deemed present as the services are made with a credit period not more than one week after revenue recognition.

(f) 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:

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**228,801**	110,010
31 to 90 days	**361,711**	187,546
91 to 365 days	**681,544**	706,644
Over 365 days	**244,493**	472,140
	1,516,549	1,476,340

Simplified approach is applied to measure the lifetime ECL for certain of its loan receivables (lease receivables under HKFRS 16 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-month ("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 risk-free rates of respective regions; and (ii) administrative service cost of the Group. The Group has recognised allowance for ECLs, representing approximately 5.2% (2018: 5.5%) of the gross carrying amounts, against all loan and account receivables as at 31 December 2019 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.

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

	2019	2018
	RMB'000	*RMB'000*
Neither overdue nor credit-impaired	**971,833**	1,465,953
Overdue but not credit-impaired		
— overdue within 30 days	**70,782**	27,635
— overdue within 31 to 90 days	**10,237**	7,047
Overdue and credit-impaired	**547,684**	61,357
	1,600,536	1,561,992
Less: Allowance for ECLs	**(83,987)**	(85,652)
	1,516,549	1,476,340

As at the end of reporting period, 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.

Account receivables from securities dealing business

	2019	2018
	RMB'000	*RMB'000*
Account receivables arising:		
— HKSCC	**—**	—
— Cash clients	**4**	—
— Margin clients	**8,777**	—
	8,781	—
Less: Allowance for ECLs	**(446)**	—
Total account receivables, net	**8,335**	—

Account receivables from cash clients and securities clearing houses arising from securities dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of said account receivables are, in general, two days after trade date. The Group allows a credit period mutually agreed with the contracting parties for receivables from margin clients.

No aging analysis by invoice date is disclosed for account receivables from securities dealing business as, in the opinion of the directors of the Company, an aging analysis is not meaningful in view of the business nature.

The account receivable arising from cash client and securities clearing house is measured on lifetime ECL basis and the account receivables arising from margin clients is measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

The allowance for ECLs is considered as adequately provided for as the directors of the Company have individually evaluated their account receivables after taking into account the loan-to-collateral value for each borrower, and other information available of those borrowers in default of settlement to determine the net present value of expected future cash inflow.

12. ACCOUNT PAYABLES

	2019	2018
	RMB'000	*RMB'000*
HKSCC	**1,792**	—
Cash clients	**1,459**	—
Margin clients	**3,375**	—
	6,626	—

Account payables arising from securities dealing business are interest-free and repayable on the settlement day of the relevant trades.

The normal settlement terms of account payables to cash clients and securities clearing house are two days after trade date.

Account payables to HKSCC, margin clients and cash clients are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The account payables amounting to approximately RMB4,804,000 were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits place.

13. BANK AND OTHER BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Bank borrowings — secured*:		
Within one year	**221,387**	252,351
More than one year, but not exceeding two years	**257,216**	149,020
More than two years, but not exceeding five years	**96,756**	256,600
More than five years	**—**	—
Other borrowings — unsecured	**151,811**	50,244
Within one year	**727,170**	708,215
Less: Amount shown under current liabilities	**(373,198)**	(302,595)
Amount shown under non-current liabilities	**353,972**	405,620

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

As at 31 December 2019, the Group's bank borrowings were variable-rate borrowings which carried annual interest per annum ranging from 105% to 110% (2018: 105% to 110%) of the benchmark rate offered by the People's Bank of China and the other borrowings carried annual interest ranging from 12% to 16% per annum (2018: 16%). As at 31 December 2019, the effective interest rates of the Group's secured bank borrowings were ranging from 5.0% to 8.3% (2018: 5.0% to 8.2%) per annum.

As at 31 December 2019, all (2018: all) of the Group's bank borrowings were secured by charges over certain leased assets and financing leasing receivables except for one bank borrowing amounting to RMB126,000,000 (2018: RMB100,000,000) which were secured by charges over one property with fair value of approximately RMB24,590,000 (which is jointly owned by Mr. Lo and his wife), one property with fair value of approximately RMB8,980,000 (which is owned by Mr. Wang Jiansen, brother of a shareholder of a related company), and one property with fair value of approximately RMB35,100,000 (which is owned by Mr. Lu Qing Ming, a director of a related company) and jointly guaranteed by a related company, Mr. Lu Nuan Pei ("Mr. Lu"), Mr. Lo's sibling, who is the ultimate controlling party of the related company and Mr. Lu, with an aggregate amount up to RMB150,000,000.

As at 31 December 2019, the Group's unsecured other borrowing obtained from an independent third party, was jointly guaranteed by a related company and Mr. Lu (with an aggregate amount up to RMB150,000,000).

14. SHARE CAPITAL

	Number of ordinary shares	**Amount** *HK$'000*
Ordinary shares of HK$0.01 of each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	20,000,000,000	200,000

	Number of ordinary shares	**Amount** *RMB'000*
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 1 January 2019	144,000,000	1,248
Issue of shares upon exercise of share options	11,523,000	101
At 31 December 2019	155,523,000	1,349

During the year ended 31 December 2019, 11,523,000 share options were exercised at the exercise price of HK$6.02 to HK$7.00 (equivalent to RMB5.09 to RMB6.00) per share. The total cash consideration received from the issuance 11,523,000 shares was approximately RMB66,140,000, of which RMB101,000 was credited to issued share capital and the remaining balance of RMB66,039,000 was credited to the share premium account. In addition, amount attributable to the related share options of RMB9,145,000 has been transferred from share option reserve to the share premium account.

All the shares issued during the year ended 31 December 2019 rank *pari passu* with the then existing shares in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Year 2019 was a challenging year in the macro environment in the PRC. In 2019, direct pressure has been exerted on financial market in China by the financial deleverage reform which directly increased the market interest rate in the PRC. In addition, Sino-US trade friction brought more uncertainties to the market and therefore slowed down the economic growth in the Mainland China. 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 management will continue to monitor the impacts of relevant factors on our business operation. During the aforesaid reporting period, the revenue of the Group was mainly derived from financial leasing interest income, factoring service income, loan facilitation service income, loan interest income, and advisory services income, accounting for approximately RMB42.5 million, RMB18.0 million, RMB43.5 million, RMB89.2 million and RMB2.3 million of the total revenue of the Group, respectively. In view of the negative impact from the financial market in the PRC, the Directors took a prudent approach from the risk control perspective in signing new contracts with our potential customers.

As a result of the acquisition of equity interests in Shenzhen Haosen Credit Joint Stock (Limited) Company* (深圳市浩森小額貸款股份有限公司) ("**Shenzhen Haosen**"), the Group recorded an increase in revenue deriving from the new loan facilitation service income and loan interest income for the year ended 31 December 2019. The Directors anticipated sound and steady growth given the acquisition of the aforementioned microfinance company, which expanded the Group's sales channel and enabled the Group to allocate internal resources in a more efficient manner. The Group benefits from the synergy effect from the acquisition of the microfinance company. Currently, the Group is able to provide not only financial leasing, factoring and advisory services to its corporate customers, but also small loans to individual customers and other small private companies, which helped to broaden our customer base. The Group offers flexible financing services to potential customers in line with their respective scales and industries.

The Directors expect the acquisition of Wealth Ton Finance Group Limited ("**Wealth Ton**") and its subsidiaries (collectively, "**Wealth Ton Group**"), which was completed on 5 July 2019, to create cohesion and broaden our income source, and further, enable the Group to diversify its business portfolio and allow the Group to expand its operation and investments to the financial market in Hong Kong. The Directors believe that it is essential for the Group to maintain our success by enlarging our customer base, expanding the Group's business to multiple markets, and keeping satisfactory relationships with our customers and banks.

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; (iv) other financial advisory services income; (v) loan facilitation service income; (vi) interest income from small loans and other loans; (vii) commission and brokerage income from security dealing and (viii) placing and underwriting service income. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded an increase by approximately 136.8% from approximately RMB83.0 million for the year ended 31 December 2018 to approximately RMB196.6 million for the year ended 31 December 2019. The increase was mainly resulted from the new income source from our new subsidiary, i.e. loan facilitation service income and interest income from small loans derived from the acquisition of equity interest in Shenzhen Haosen which was completed in December 2018.

For the year ended 31 December 2019, the interest income from financial leasing contributed approximately RMB42.5 million with a slight drop (2018: approximately RMB43.5 million). The interest income from financial leasing related factoring contributed approximately RMB18.0 million for the year ended 31 December 2019 (2018: approximately RMB21.3 million). The Group's advisory services mainly include financial leasing advisory services, and other financial advisory services, contributed approximately RMB2.3 million for the year ended 31 December 2019 (2018: approximately RMB8.2 million). Moreover, the Group expanded to provide loan facilitation service which contributed approximately RMB43.5 million to the revenue for the year ended 31 December 2019 (2018: approximately RMB10.0 million) in the newly acquired Shenzhen Haosen. From the expansion of Shenzhen Haosen, it also derived interest income from small loans to the Group contributing approximately RMB88.1 million (2018: nil) and interest income from other loans of approximately RMB1.1 million (2018: nil) was contributed by Wealth Ton Group for the year ended 31 December 2019. The Group also recorded commission and brokerage income from security dealing contributing approximately RMB0.3 million (2018: nil) while the interest income from margin financing also contributed approximately RMB0.7 million (2018: nil) from the acquisition of Wealth Ton Group in July 2019.

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 RMB2.4 million, or approximately 33.6%, from approximately RMB7.2 million for the year ended 31 December 2018 to approximately RMB9.7 million for the year ended 31 December 2019, due to the 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 RMB10.9 million, or approximately 93.8%, from approximately RMB11.7 million for the year ended 31 December 2018 to approximately RMB22.6 million for the year ended 31 December 2019, mainly due to the increase in the manpower arising from the acquisition of Shenzhen Haosen and Wealth Ton Group.

Other operating expenses

Other operating expenses included primarily the entertainment expense, legal and professional fee, travelling expenses and commission expense, etc. For the year ended 31 December 2019, the other operating expenses was approximately RMB32.3 million (2018: approximately RMB7.9 million), representing approximately 16.4% of the Group's total revenue (2018: approximately 9.5%).

Finance cost

The finance cost increased by approximately 86.6% from approximately RMB33.2 million for the year ended 31 December 2018 to approximately RMB61.9 million for the year ended 31 December 2019 mainly due to the loans incurred by Shenzhen Haosen.

Profit for the year attributable to the owners of the Company

Profit for the year increased by approximately RMB18.4 million, or approximately 79.8%, from approximately RMB23.0 million for the year ended 31 December 2018 to approximately RMB41.4 million for the year ended 31 December 2019. Such increase was mainly due to the increase in revenue in interest income from small loans resulted from the newly acquired Shenzhen Haosen.

Dividend

The Board recommended the declaration of a final dividend of HK5 cents per share, subject to Shareholders' approval at the annual general meeting to be held on 27 May 2020. The final dividend will be payable on or about 30 June 2020 to Shareholders whose names appear on the register of members of the Company on 4 June 2020.

Liquidity, financial resources and capital resources

As at 31 December 2019, the cash and cash equivalents were approximately RMB42.7 million (2018: approximately RMB61.2 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB865.0 million (2018: approximately RMB702.7 million) and approximately RMB794.3 million (2018: approximately RMB676.4 million), respectively.

As at 31 December 2019, the Group's bank borrowings with maturity within one year amounted to approximately RMB221.4 million (2018: approximately RMB252.4 million) and the Group's bank borrowings with maturity exceed one year decreased to approximately RMB354.0 million (2018: approximately RMB405.6 million). Remaining portion of the indebtedness represented unsecured other borrowings amounted to approximately RMB151.8 million (2018: approximately RMB50.2 million) in which included the other borrowing incurred in Shenzhen Haosen amounting to RMB151.8 million which contributed to the increase.

Gearing ratio (total bank and other borrowings/total equity) as at 31 December 2019 was approximately 91.5% (2018: approximately 104.7%). Such decrease was due to the acquisition of Shenzhen Haosen and Wealth Ton Group.

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; (iv) account receivables of loan facilitation service fees and (v) account receivables from securities dealing business. As at 31 December 2019, the loan and account receivables were approximately RMB1,524.9 million (2018: approximately RMB1,476.3 million), and this increase was mainly due to the expansion of business in small loans business.

Capital commitments

As at 31 December 2019, the Group had no capital commitments (2018: Nil).

Employees and remuneration policy

As at 31 December 2019, the Group employed 144 full time employees (2018: 89) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB22.6 million for the year ended 31 December 2019 (2018: approximately RMB11.7 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. Share award scheme has also been adopted and awarded shares will be granted to eligible employees of the Group in accordance with the terms of the share award scheme.

RISK MANAGEMENT

The Group's business operations are conducted for the 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 (the "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 15,552,300 shares of the Company in total.

On 4 July 2018, under the Share Option Scheme, 4,320,000 share options to subscribe for an aggregate of 4,320,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees with validity period of the options from 4 July 2018 to 4 July 2019, and exercise price of HK$6.02. All options have been exercised. On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK$7.00.

For options granted under the Share Option Scheme under 4 July 2018 and 24 April 2019, the exercise price in relation to each option was determined by the Board, but in any event would not be less than the highest of (i) the closing price of the Company's shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day or (ii) the average of the closing prices of the Company's shares as stated in the Exchange's daily quotations sheet for the five business days immediately preceding the date of grant or (iii) the par value of a share of the Company. For further details of the grant of share option, please refer to the announcements of the Company published on the websites of the Company and the Exchange on 4 July 2018 and 24 April 2019.

Set out below are details of the outstanding options under the Share Option Scheme as at 31 December 2019:

				Number of share options				
Name of Grantee	**Grant date**	**Exercise period**	**Exercise price**	**Outstanding as at 1.1.2019**	**Granted during the year ended 31.12.2019**	**Exercised during the year ended 31.12.2019**	**Lapsed during the year ended 31.12.2019**	**Outstanding as at 31.12.2019**
Director of the Company or its subsidiary								
XIE Weiquan	4 July 2018	4 July 2018 – 4 July 2019	HK$6.02	360,000	—	360,000	—	—
	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	40,000	—	—	40,000
Senior Management of the Company or its subsidiary								
Lu Zemin	4 July 2018	4 July 2018 – 4 July 2019	HK$6.02	360,000	—	360,000	—	—
Shi Lei	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	40,000	—	—	40,000
Xie Zhouchou	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	22,500	—	—	22,500
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	22,500	—	—	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	30,000	—	—	30,000
Shi Yumei	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	22,500	—	—	22,500
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	22,500	—	—	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	30,000	—	—	30,000
Wong Mun Po	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	30,000	—	—	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	40,000	—	—	40,000

Name of Grantee	Grant date	Exercise period	Exercise price	Number of share options Outstanding as at 1.1.2019	Granted during the year ended 31.12.2019	Exercised during the year ended 31.12.2019	Lapsed during the year ended 31.12.2019	Outstanding as at 31.12.2019
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme	4 July 2018	4 July 2018 – 4 July 2019	HK$6.02	3,600,000	—	3,600,000	—	—
	24 April 2019	24 April 2019 – 23 April 2022	HK$7.00	—	8,050,000	7,203,000	—	847,000
	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	—	472,500	—	—	472,500
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	—	472,500	—	—	472,500
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	—	630,000	—	—	630,000
				4,320,000	10,075,000	11,523,000	—	2,872,000

Share Award Scheme

The Company has adopted a share award scheme on 6 November 2019 (the "**Share Award Scheme**") for the purposes of, amongst others, effectively recognising employee's contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Sward Scheme. However, until so selected, no Employee shall be entitled to participate in the scheme.

The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 6 November 2029.

Since the adoption of the Share Award Scheme and up to the date of this report, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme.

EVENTS AFTER THE REPORTING PERIOD

Outbreak of coronavirus disease (COVID-19)

Against the onset of an outbreak of COVID-19 which has dampened the local economy, the directors of the Company anticipate the finance services sectors in both PRC and Hong Kong will continue to face grave challenges. The overall financial effect cannot be reliably estimated as of the date of these consolidated financial statements, the Group will closely monitor the development of the epidemic and evaluate its impact on the business, the financial position and operating results of the Group.

Issuance of HK$20,000,000 8% bonds (the "Bonds")

On 7 January 2020, the Company entered into a subscription agreement with Mr. Lo Wai Ho, the chairman and executive Director of the Company as the guarantor and an investor as the subscriber, in connection with the issue and sale of the Bonds. The Company intends to use the proceeds from the Bonds to finance the expansion of the existing business of the Group and for general working capital. The guarantee provided by Mr. Lo in relation to the Bonds constitutes financial assistance to be provided by a connected person for the benefit of the Company. Such financial assistance is on normal commercial terms or better and is not secured by the assets of the Group and is therefore exempted under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements. For further details of the issuance of the Bonds, please refer to the announcements of the Company dated 7 January and 10 January 2020 published on the websites of the Company and the Stock Exchange.

Other than the events disclosed above, the Group does not have any material subsequent event after 31 December 2019 and up to the date of this announcement.

OUTLOOK AND PLANS

In 2020, the Group will continue with current prudent approach, effectively controlling cost and conservatively promoting business amongst high calibre customers to adapt to this challenging environment. The Group will continue to enhance risk management capabilities, develop business with existing and new customers in industries with growth potential. The Directors believe that, the Company will be devoted to providing flexible financing services such as financing leasing services, factoring services and small loans to various small and medium enterprises, and continue to give play to its superiority in the business network, in order to further expand the customer base and increase the returns of the Company.

The major customers of the Company are mainly in the mainland China. At the beginning of 2020, COVID-19 epidemic had significant impacts on the production and operation of small and medium enterprises in the mainland China. The Company will flexibly adjust its operating strategies in continuous response to the situations of customers. The Directors believe that, it is key and effective manner under the complicated economic environment for the Company to strengthen the resource allocation among each business department of the Group, give play to the synergy effect of subordinate companies, and promote the digitalized business transformation of the Company.

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 Rules. During the year ended 31 December 2019, 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 2019, 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

Acquisition of Wealth Ton Group (the "Acquisition")

On 5 July 2019, the completion of Acquisition took place as all conditions precedent in respect of the Acquisition as described under "Conditions Precedent" in the announcement dated 29 March 2019 and "Amendments and variations to the Agreement" in the announcement dated 14 June 2019 have been fulfilled.

The Group obtained 100% equity interests in the Wealth Ton as a result of the Acquisition, and Wealth Ton has become a direct wholly-owned subsidiary of the Company. Accordingly, the financial results of Wealth Ton Group has been consolidated into the financial statements of the Group.

Wealth Ton Group is principally engaged in advising and dealing in securities, comprising some licensed corporations in Hong Kong to carry on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and businesses as a money lender in Hong Kong governed by the Money Lenders Ordinance. The Acquisition is expected to create cohesion between the Company and Wealth Ton Group and broaden the income source together. Further, the Acquisition is expected to enable the Group to diversify its business portfolio and allow the Group to expand its operation and investments to the financial market in Hong Kong.

For further details of the Acquisition, please refer to the announcements of the Company dated 29 March 2019, 29 May 2019, 14 June 2019 and 5 July 2019 published on the websites of the Company and the Stock Exchange.

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 Mr. Kam Wai Man. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019.

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 or she has, throughout the year ended 31 December 2019, 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 2019 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 2019 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 22 May 2020 (Friday) to 27 May 2020 (Wednesday) (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 27 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 21 May 2020 (Thursday).

The register of members of the Company will be closed from 2 June 2020 (Tuesday) to 4 June 2020 (Thursday) (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 1 June 2020 (Monday).

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

Hong Kong, 30 March 2020

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

* *The English name is for identification purpose only*