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

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

Stock Code: 8452

ANNUAL REPORT

2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the "**Directors**", each a "**Director**") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), collectively and individually, accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

NAME OF COMPANY
FY Financial (Shenzhen) Co., Ltd.

STOCK CODE
08452

BOARD OF DIRECTORS
Executive Directors
Mr. Li Peng (李鵬) (Chairman)
Mr. Weng Jianxing (翁建興)
Ms. Gong Xiaoting (貢曉婷)
(Appointed on 12 May 2021)
Ms. Wang Ying (王瑩)
(Resigned on 12 May 2021)

Non-executive Directors
Mr. Peng Qilei (彭期磊)
(Appointed on 12 May 2021)
Ms. Liu Jing (劉敬)
(Appointed on 12 May 2021)
Ms. Tong Fangyan (仝芳妍)
(Appointed on 8 October 2021)
Mr. Zhuang Wei (莊巍)
(Resigned on 8 October 2021)
Mr. Qian Cheng (錢程)
(Resigned on 12 May 2021)
Mr. Sun Luran (孫路然)
(Resigned on 12 May 2021)

Independent Non-executive Directors
Mr. Fung Che Wai Anthony (馮志偉)
Mr. Hon Leung (韓亮)
Mr. Liu Shengwen (劉升文)

SUPERVISORY COMMITTEE
Mr. Zhu Xiaodong (朱曉東) (Chairman)
Mr. Liu Bing (劉兵)
Mr. Sun Luran (孫路然)
(Appointed on 12 May 2021)
Mr. Tian Xiuju (田秀舉)
(Resigned on 12 May 2021)

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

NOMINATION COMMITTEE
Mr. Li Peng (李鵬) (Chairman)
(Appointed on 8 October 2021)
Mr. Hon Leung (韓亮)
Mr. Fung Che Wai Anthony (馮志偉)
Mr. Zhuang Wei (莊巍)
(Resigned on 8 October 2021)

REMUNERATION COMMITTEE
Mr. Liu Shengwen (劉升文) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Peng Qilei (彭期磊)
(Appointed on 12 May 2021)
Mr. Qian Cheng (錢程)
(Resigned on 12 May 2021)

COMPLIANCE OFFICER
Mr. Li Peng (李鵬)

JOINT COMPANY SECRETARIES
Ms. Xie Ying (謝瑛)
(Appointed on 16 June 2021)
Mr. Wong Wai Chiu (黃偉超先生)
(Appointed on 24 February 2022)
Ms. Ng Wing Shan (吳詠珊)
(Resigned on 24 February 2022)
Ms. Wang Ying (王瑩)
(Resigned on 12 May 2021)

AUTHORIZED REPRESENTATIVES
Mr. Weng Jianxing (翁建興)
Mr. Wong Wai Chiu (黃偉超先生)
(Appointed on 24 February 2022)
Ms. Ng Wing Shan (吳詠珊)
(Resigned on 24 February 2022)

REGISTERED OFFICE
Room 201, Block A
No. 1 Qianwan First Road
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen, Guangdong
the People's Republic of China (the "**PRC**")

CORPORATE INFORMATION

HEAD OFFICE IN THE PRC
Room 1603, Cheung Kei Building
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Futian District Shenzhen
Guangdong The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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www.fyleasing.com

AUDITOR
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Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
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LEGAL ADVISERS
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Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law
Beijing Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza B
28 Fengsheng Lane
Xicheng District
Beijing
The PRC

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
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PRINCIPAL BANKERS
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Qianhai Branch
Block 10, Vanke (Qianhai) Enterprise Mansion
Qianhai, Shenzhen
Guangdong
The PRC

Agricultural Bank of China Limited
Qianhai Branch
Vanke (Qianhai) Enterprise Mansion
Qianhai, Shenzhen
Guangdong
The PRC

China Merchants Bank Co., Ltd.
Central Walk Branch
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Futian District, Shenzhen
Guangdong
The PRC

Bank of China Limited
Shenzhen Shahe Branch
1st Floor, Block 22
Guanghua Street, Overseas Chinese Town
Nanshan District, Shenzhen
Guangdong
The PRC

FIVE YEARS FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2017 RMB'000 Note (a)	2018 RMB'000 Note (b)	2019 RMB'000 Note (c)	2020 RMB'000 Note (d)	**2021** **RMB'000** Note (e)
Revenue	122,739	155,529	152,631	103,844	**43,095**
Direct costs	(44,363)	(53,523)	(43,282)	(34,671)	**(8,739)**
Gross profit	78,376	102,006	109,349	69,173	**34,356**
Other income and gains	2,838	5,110	1,441	5,209	**16,275**
Operating expenses	(12,223)	(17,353)	(23,693)	(13,149)	**(6,273)**
Administrative expenses	(25,267)	(30,653)	(34,785)	(33,568)	**(16,773)**
Impairment loss on accounts receivable, net	(4,908)	(4,483)	(3,596)	(21,756)	**(7,349)**
Listing expenses	(9,400)	—	—	—	—
Profit before income tax	29,416	54,627	48,716	5,909	**20,236**
Income tax expense	(8,728)	(14,424)	(12,655)	(2,670)	**(5,305)**
Profit for the year	20,688	40,203	36,061	3,239	**14,931**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	1,330,081	1,470,194	1,405,572	914,055	**553,156**
Total liabilities	905,838	1,014,296	931,579	454,790	**77,569**
Total equity	424,243	455,898	473,993	459,265	**475,587**
Non-controlling interests	—	—	—	—	—
Equity attributable to equity holders of the Company	424,243	455,898	473,993	459,265	**475,587**

Notes:

(a) The financial figures were extracted from the 2017 annual report of the Company dated 28 March 2018.

(b) The financial figures were extracted from the 2018 annual report of the Company dated 6 March 2019.

(c) The financial figures were extracted from the 2019 annual report of the Company dated 30 March 2020.

(d) The financial figures were extracted from the 2020 annual report of the Company dated 26 March 2021.

(e) The financial figures were extracted from the consolidated financial statements in this annual report of the Company.

The summary above does not form part of the audited consolidated financial statements in this annual report.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2021 (the "**Reporting Period**"). The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC. During the Reporting Period, the Group consistently promoted comprehensive risk management, adhered to stock risk resolution and incremental risk management and control, strengthened risk identification and early warning around key areas and projects, carried out in-depth risk investigation, and implemented management and control measures in an orderly manner, so as to further enhance the prospect, universe and initiative in respect of risk prevention and control.

The global situation of the novel coronavirus ("**COVID-19**") has generally improved with accelerated vaccination, but the epidemic still rebounded in some regions, resulting in a slow recovery of the global economy amid fluctuations. The global COVID-19 pandemic caused significant economic fallout in the PRC and even the whole world. Leveraging on a series of effective national epidemic prevention and control measures, the Chinese economy gradually recovered in 2021, with a relatively slow recovery in domestic consumption and investment. However, disturbance still occurred in global economic development due to COVID-19, the development of which remains the focus of national attention.

The Group's clients mainly include SMEs in a number of strategic industries, including fast-moving consumer goods ("**FMCG**"), electronics, alternative energy, medical, transportation and machinery parts processing industries. COVID-19 impacted the Group's existing and potential clients. In view of the uncertainties caused by the future development of COVID-19, the increase in the risk of financial defaults, the Group will enhance customer selection and strictly manage asset quality and credit risk, commit to the effective monitoring of post-leasing projects in order to strengthen its ability in response to the adverse impacts from economic fluctuations.

In terms of industry supervision, the China Banking and Insurance Regulatory Commission issued the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) in 2020. In 2021, the People's Bank of China, together with relevant parties, studied and drafted the "Regulations on Local Financial Supervision and Administration (Draft for Comments)" (《地方金融監督管理條例(草案徵求意見稿)》) (the "**Administrative Regulations**"). As the industry supervision of finance leasing and factoring gradually becomes stricter, the implementation of regionalization restriction in the Administrative Regulations in the future will also greatly restrict the development of the Group's finance leasing and factoring business.

CHAIRMAN'S STATEMENT

In China, the degree of business differentiation of finance leasing companies is relatively low, and most finance leasing companies conduct business across the country. In order to maximize profits, finance leasing companies generally tend to enlarge business scale, reach out to customers in lower-tier cities and adopt lower interest rates, leading to increased competition in the industry. Under uncertain macroeconomic environment, stringent industry regulatory policies and fierce industry competition, the Group has reduced the planned capital investment in finance leasing, and will focus on further expanding the business of factoring and the supply of medical equipment, and continues to promote high-quality development of its business. The Group has optimized the comprehensive risk management system, and improved risk management and control capabilities. The Group has also formulated and monitored the risk early warning list of customers and projects, accelerated the resolution of key risk projects, thus ensuring overall stable asset quality. In addition, the Group has promoted the annual comprehensive risk management optimization plan, organized and carried out risk management system learning, and enhanced the risk management awareness of all employees.

In the future, the Group will actively explore profit model innovation, promote the diversification of income structure and continue to improve profitability. On the basis of vigorously developing the main business, the Group will actively explore new business models. On 6 January 2022, the Group established a partnership named Guangdong Yuanyu Cornerstone Information Technology Co., Ltd. (廣東元宇基石信息科技有限公司) with Foshan Qianda Enterprise Management Partnership (Limited Partnership) (佛山市前達企業管理合夥企業(有限合夥)) and Dongguan Qianfan Enterprise Management Partnership (Limited Partnership) (東莞市前帆企業管理合夥企業(有限合夥)). The registered capital of the company is RMB5 million, and the Group holds 51% of its equity interest. The company is principally engaged in the operating lease business of communication equipment with its own funds. The establishment of the company will diversify our business, while reducing the overall asset risk of the Group and improving the profitability of the Group.

In response to the demands from market and businesses, the Group has established a business team composed of professional finance leasing personnel, risk management personnel, asset management personnel and financial and accounting personnel. Its composition is in line with the development strategies of the Group, serving as a solid human resources foundation for the further business expansion of the Group. The Group will continue to strengthen employees' professional training, improve finance leasing business and risk control level and reinforce the development of enterprise culture with an aim to enhance employees' recognition and sense of belonging.

The Group will also strengthen the customer-oriented business development model to improve the quality and efficiency of business development. We will deepen the industry analysis system, keep abreast of internal and external changes, and conduct analysis on factors affecting business operations and development opportunities to improve the foresight and effectiveness of business decisions.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to employees and the management for their diligence and commitment over the past year, as well as the trust and support of the shareholders of the Company (the "**Shareholders**") and business partners for the Group. In appreciation of the support and loyalty of the Shareholders, the Board is pleased to recommend the payment of a final dividend (the "**Final Dividend**") of Renminbi ("**RMB**") 0.013 per share (tax inclusive) of the Company for the Reporting Period.

Li Peng
Chairman
Shenzhen, the PRC, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's revenue was derived from the finance lease income, factoring service income, advisory service fee income, and sale of goods, accounting for approximately 71.41%, 16.26%, 0.91%, and 11.42% of the total revenue of the Group, respectively. The Group has been focusing on developing quality customers specialising in SMEs in a number of strategic industries, including FMCG, electronics, medical, alternative energy, transportation and machining parts processing industries.

Finance leasing business

The finance leasing business is a core business segment of the Group, which comprises (i) direct finance leasing, which involves leasing of new equipment acquired by the Group; (ii) new sale-leaseback, which involves leasing of new equipment acquired by its customer from an equipment supplier prior to the lease transaction; and (iii) used sale-leaseback transactions, which involves leasing of used equipment which were owned by the Group's customer and sold to the Group prior to the lease transaction. For all finance leasing transactions, the Group may require lessees and third parties to provide additional collateral or guarantees so that it has better protection against its credit risk. These additional collateral or guarantees include: (i) joint and several guarantees from the lessee's legal representative, major stakeholders, related-party companies and third party companies; (ii) pledge of production equipment, real property or accounts receivable; and (iii) pledge of shares from the lessee's company. During the Reporting Period, the Group derived a revenue of RMB30.77 million from the finance leasing business.

During the Reporting Period, the Group continued to penetrate into SME customers in the FMCG, medical, electronics and machining parts processing industries around the Pearl River Delta and Yangtze River Delta regions. During the Reporting Period, the Group had over 179 finance leasing customers in various industries across 20 different provinces, municipalities and autonomous regions in the PRC. In the face of the uncertain impact of the epidemic, strict industry regulatory policies and fierce industry competition, the Group also adjusted its strategy in a timely manner by enhancing customer screening, focusing on asset safety recovery, strengthening risk supervision, improving the all-round risk management and control plan for projects in the pre-lease, lease-in and post-lease stages, and slowing down the investment in finance leasing business. At the same time, the Group improved the efficiency of employees and optimized the allocation of human resources.

Factoring business

For the Group's factoring business, it provides financing and accounts receivable management services to its customers in return for interest and management fee income. The Group's customers would transfer the legal title of accounts receivable to it. After such transfer, the Group would own the right to receive the outstanding amount of the accounts receivable from the buyers (i.e. debtors of the accounts receivable).

During the Reporting Period, the Group continued to develop its factoring business in the areas of property leasing, medical and manufacturing, and also to seek new opportunities in the industry at the same time. With its extensive experience in its subdivisions, the Group's factoring business recorded revenue of RMB7.01 million during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the impact of COVID-19 and increased market uncertainty in 2021, the factoring industry in China was faced with both development opportunities and challenges. In recent years, China has successively issued policies and regulatory requirements on commercial factoring, gradually clarifying the regulatory regime and rules of the industry, tightening regulation policies and accelerating the clean-up and standardization of existing enterprises. In addition, the contradiction between supply and demand in China's factoring industry and the narrow refinancing pipeline have set barriers to business development. On the other hand, the "One Belt, One Road" initiative has contributed to the rapid growth of China's external economic and trade, and therefore the pace of going global has accelerated. As a powerful financial instrument serving private economy and SMEs, commercial factoring is in an important period of strategic opportunities. In the future, the Group will concentrate its resources on businesses with low capital consumption and low risk, and continue to focus on the safe recovery of existing assets, strengthen post-loan supervision, enhance risk control awareness, and reduce credit risk losses.

Advisory service business

The Group provides customized advisory services to customers and obtains advisory service fee income. The Group's advisory services include the provision of market information (such as analysis of equipment suppliers), product recommendations (such as equipment selection and pricing), industry competition analysis (such as research on the business scale and financial performance of the Group's customers' competitors), solutions to optimize operation process, and financial management (such as analysis of major financial ratios) and asset management advice. During the Reporting Period, the Group was committed to consolidating and deepening the "customer-oriented" business development model and key customer-oriented management system, for the purpose of providing high-value advisory services to customers. During the Reporting Period, the Group's advisory service business realized revenue of approximately RMB0.39 million.

Supply of medical equipment

Given its provision of finance leasing services to the medical industry since 2014, the Group has established relationships with a large number of medical equipment suppliers and distributors. In view of the favorable policies of the PRC government to support the overall development of the medical and healthcare industry in the PRC, there is huge demand for high-end medical equipment from domestic medical institutions. In addition, the Group commenced supply of medical equipment to large public hospitals of Class II and above in 2017 with a focus on the Beijing and Hunan market, after taking into account relatively low credit risk of public hospitals supported by local fiscal policies. The Group's trading operation business can diversify its revenue stream and service portfolio to enhance the overall brand value of the Company and drive the overall growth of the principal business (namely finance leasing and factoring) of the Group. Furthermore, the Directors believe that the Group's trading operation business is in relatively low business risks as its suppliers and customers are reputable multinational companies and public hospitals in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO AND RECOVERABILITY OF OF FINANCE LEASE AND FACTORING RECEIVABLES

Asset quality

The Group measures and monitors the asset quality of its finance lease and factoring receivables throughout the term of the lease. The Group classifies its finance lease and factoring receivables using a five-category classification system, which is modelled with reference to (i) the statutory requirements relating to asset quality classification promulgated by the China Banking Regulatory and Insurance Regulatory Commission (CBIRC) for finance lease companies and other financial institutions subject to its regulation; and (ii) the asset quality classification system used by comparable finance lease and factoring companies.

Five-category classification system

In determining the classification of the Group's finance lease and factoring receivables portfolio, the Group applies a set of criteria that are derived from its own internal regulations on the management of assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal of and interest on the Group's finance lease and factoring receivables. The Group classifies its receivables into five categories, namely (i) pass; (ii) special mention; (iii) substandard; (iv) doubtful; and (v) loss, among which the receivables classified as "substandard", "doubtful" and "loss" receivables are considered as the non-performing assets.

Enforcement measures on overdue receivables

In recovering receivables which are past due in the normal course of business, the Group may perform on-site visits, negotiate with the customers for revised repayment terms, including an extension or adjustment of repayment schedules, and a return and disposal of leased equipment, take enforcement actions in respect of the collateral and/or guarantee and initiate legal proceedings against the customers and their guarantors to recover payments. The Directors believe that initiating legal proceedings will put pressure on its customers to work out a repayment schedule with the Group, or to identify and provide additional assets as collateral to secure the outstanding receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the future, the Group will be committed to providing quality finance leasing, factoring, consulting and medical equipment supply services in a bid to offer customers professional and customized comprehensive financing services. Focusing on the above core businesses, the Group will also constantly optimize its business and risk management workflow, adhere to legitimate development and continuously standardize the internal operation and management. Moreover, the Group will continue to implement prudent risk management and internal control measures, enhance the risk management awareness of all employees and improve the overall asset quality. In response to the market environment, the Group will actively explore profit model innovation and expand its finance leasing business with asset safety-centric and revenue enhancement-oriented approach.

REVENUE

During the Reporting Period, the revenue of the Group amounted to approximately RMB43.10 million, representing a decrease of approximately 58.49% from approximately RMB103.84 million for the same period of last year. The decrease in revenue was mainly due to the revenue reduction in financial leasing service, factoring service and advisory service.

GROSS PROFIT

During the Reporting Period, the Group's gross profit amounted to approximately RMB34.36 million, representing a decrease of approximately 50.33% compared to approximately RMB69.17 million for the same period of last year. The decrease in gross profit was mainly due to the decrease in total revenue.

DIRECT COSTS

The Group's main cost items were interest expenses on bank borrowings and cost of inventory sold. During the Reporting Period, the Group's direct costs amounted to approximately RMB8.74 million, representing a decrease of approximately 74.79% compared to approximately RMB34.67 million for the same period of last year. The decrease was primarily attributable to the decrease in costs of medical equipment supply services and interest expenses on bank borrowings during the Reporting Period.

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to approximately RMB16.28 million, representing an increase of approximately 212.48% from approximately RMB5.21 million for the same period of last year. The increase was primarily attributable to the recognition of the value added tax refund and write-off of other payables and increase in maintenance service income, which is partly offset by the absence of fair value loss arising from the fair value change in derivative financial liabilities during the Reporting Period.

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses amounted to approximately RMB6.27 million, representing a decrease of approximately 52.32% from approximately RMB13.15 million for the same period of last year. The decrease was primarily attributable to the adjustment of corporate strategy to optimize the Group's organization structure and the decrease in number of the sales personnel within the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB16.77 million, representing a decrease of approximately 50.04% from approximately RMB33.57 million for the same period of last year. The decrease was mainly due to the decrease in salaries and benefits as a result of the decrease in the Group's headcount.

IMPAIRMENT LOSS ON ACCOUNTS RECEIVABLE

During the Reporting Period, the Group's provision for impairment loss on accounts receivable was approximately RMB7.35 million, representing a decrease of approximately 66.22% from approximately RMB21.76 million for the same period of last year. The decrease in impairment loss on accounts receivable was due to the decrease in total accounts receivable.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense was approximately RMB5.31 million, representing increase of approximately 98.88% from approximately RMB2.67 million for the same period of last year. The increase was primarily attributable to the increase in profit before income tax.

FOREIGN EXCHANGE RISK

The Group's income and expenditure during the Reporting Period were principally denominated in RMB and most of the assets and liabilities as at 31 December 2021 were also denominated in RMB. During the Reporting Period, the Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate and no hedging transaction or forward contract arrangement was made by the Group during the Reporting Period.

FINANCE COSTS

The Group's bank borrowings were denominated in RMB during the Reporting Period, and have been mainly arranged on a fixed-rate basis. During the Reporting Period, the interest rates on the Group's fixed rate borrowings ranged from 4.85% to 5.13% per annum (2020: 4.50% to 5.13% per annum).

TREASURY MANAGEMENT

During the Reporting Period, there was no material change in the Group's funding and treasury policies. The Group had a sufficient level of cash and banking facilities for the conduct of its operation in the normal course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December	
	2021	2020
	RMB	RMB
Cash at bank and in hand	**148,349,236**	142,021,437
Net cash generated from operating activities	**300,548,181**	500,212,986
Net cash generated from investing activities	**29,527,611**	40,664,621
Net cash used in financing activities	**(323,747,993)**	(419,283,288)

As at 31 December 2021, cash at bank and in hand of the Group was approximately RMB148.35 million, among which RMB148.20 million and RMB0.15 million was denominated in RMB and HKD respectively as compared with approximately RMB142.02 million among which RMB141.86 million and RMB0.16 million was denominated in RMB and HKD respectively as at 31 December 2020.

During the Reporting Period, net cash generated from operating activities was approximately RMB300.55 million, as compared with net cash generated from operating activities of approximately RMB500.21 million for the same period of last year. During the Reporting Period, net cash generated from investing activities was approximately RMB29.53 million, as compared with net cash generated from investing activities of approximately RMB40.66 million for the same period of last year. During the Reporting Period, net cash used in financing activities was approximately RMB323.75 million, as compared with net cash used in financing activities of approximately RMB419.28 million for the same period of last year.

As at 31 December 2021, the Group recorded total current assets of approximately RMB444.75 million as compared with approximately RMB652.27 million as at 31 December 2020. The Group's current ratio is approximately 8.60 as at 31 December 2021 (31 December 2020: 1.74). As at 31 December 2021, the Group does not have bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

As at 31 December 2021, the Group did not have any asset charges.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for securities transactions by the Directors and supervisors (the"**Supervisors**") of the Company (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all the Directors and the Supervisors, and all the Directors and the Supervisors have confirmed that they have complied with the Code of Conduct throughout the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders of the Company and to enhance corporate accountability.

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules in force from time to time throughout the Reporting Period except for the deviation from A.2.1 of the CG Code described in the section headed "Corporate Governance Report — Deviation from the CG Code". The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group had 32 full-time employees, as compared to 48 full-time employees for the same period of last year. Total staff costs (including Directors' and Supervisor's remuneration) was approximately RMB10.66 million for the Reporting Period, as compared with approximately RMB24.50 million for last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. During the Reporting Period, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under the PRC laws.

The Group believes that its employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has been recruiting and promoting individuals based on merit and their development potentials. Remuneration packages offered to all employees are determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS AND SIGNIFICANT INVESTMENTS

On 10 May 2021, Zhuhai Fuyin Yunlian Investment Management Co., Ltd.* (a wholly-owned subsidiary of the Company) ("**FY Yunlian**") entered into a subscription agreement with Shanghai KYMS Cloud Technology Co., Ltd. (上海快易名商雲科技股份有限公司) ("**Shanghai KYMS**"), formerly known as Shanghai KYMS Enterprise Development Co. Ltd. (上海快易名商企業發展股份有限公司), pursuant to which FY Yunlian has conditionally agreed to subscribe for, and Shanghai KYMS has conditionally agreed to allot and issue the subscription shares, representing 7.55% of the issued share capital of Shanghai KYMS as enlarged by the allotment and issue of the subscription shares, at the subscription price of RMB15,534,858.24. Details of this acquisition are set out in the Company's announcements dated 10 and 31 May 2021.

On 30 September 2021, FY Yunlian entered into a second subscription agreement (the "**Second Subscription Agreement**") with Shanghai KYMS to further subscribe 8,703,318 new shares of Shanghai KYMS (the "**Second Subscription Shares**") representing approximately 14.35% of the issued share capital of Shanghai KYMS as enlarged by the allotment and issue of the Second Subscription Shares, at the subscription price of RMB34,465,139.28. This Second Subscription Agreement was approved by the Company's shareholders on 20 January 2022, and the subscription under the Second Subscription Agreement was completed on 21 January 2022. Details of the Second Subscription Agreement are set out in the Company's announcement dated 30 September 2021 and circular dated 22 December 2021.

On 22 June 2021, Zhuhai Huihe Xinye Technology Industry Investment Enterprise, L.P.*, Zhuhai Jingcheng Private Equity Fund Management Co., Ltd.*, FY Yunlian and nine other limited partners entered into a limited partnership agreement in respect of, among other matters, the establishment of a fund (the "**Fund**"), the name of which is Zhuhai Huihe Guangjing Chuangye Investment Fund, L.P.* (珠海匯合廣境創業投資基金(有限合夥)). Pursuant to the limited partnership agreement, the total capital commitment to the Fund is RMB106,120,000, among which FY Yunlian shall contribute RMB30,000,000 (the "**Contribution**") to the Fund, representing approximately 28.2699% of the total capital commitment to the Fund. As at 31 December 2021, the Contribution represented 5.49% of the Group's total assets, and among the Contribution, RMB6,000,000 was paid and RMB24,000,000 remained unpaid. Therefore, as at 31 December 2021, the FVTOCI of the the Group's investment in the Fund was RMB6,000,000, representing approximately 1.08% of the Group's total asset. The Fund is principally engaged in direct or indirect equity investments and/or investment related activities in the fields of artificial intelligence, new generation information technology, bio-medicine and intelligent manufacturing focusing on unlisted entities, and other investment opportunities. The Group's investment strategy or significant investments include: 1) investments that would enable the Group to indirectly engage in the industries with rapid development momentum and broad market prospects, which will bring investment returns and revenue to the Group; and 2) investments that would enable the Group to explore potential business cooperation opportunities. Details of this acquisition and performance of the Fund during the Reporting Period are set out in the Company's announcement dated 22 June 2021 and note 17 to the consolidated financial statements.

Save as disclosed above, during the Reporting Period, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures and no significant investments.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the Second Subscription Agreement and the unpaid Contribution under the Fund as mentioned above, as at 31 December 2021, the Group did not have any specific plans for material investments or capital assets.

CAPITAL COMMITMENTS

Save for the Second Subscription Agreement and the unpaid Contribution under the Fund as mentioned above, as at 31 December 2021, the Group had no capital commitments which was contracted for but not yet incurred (31 December 2020: nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results of the Group for the Reporting Period and agreed to the accounting principle and practices adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the Reporting Period are set out in note 39 to the consolidated financial statements.

Save as disclosed in this annual report, there were no other significant events that might affect the Group after the Reporting Period.

Impact of the COVID-19 pandemic

Since the outbreak of COVID-19 in the PRC in January 2020, various finance lease and factoring customers had negotiated with the Group to delay settlement of their receivables. Given the uncertainty in the repayment capacity of the Group's finance lease and factoring customers, the Group has reduced the planned capital investment for its finance lease and factoring businesses and shifted its focus from active business expansion to prudent risk and asset management, which involved imposing more stringent standards in selecting customers with stronger financial background. In addition, the Group has also actively explored profit model innovation, promoted the diversification of income structure and continued to improve profitability. As a result of the change in the Group's strategy, the number of new customers of the Group had reduced during the year ended 31 December 2021. During the Reporting Period, the revenue of the Group amounted to approximately RMB43.10 million, representing a decrease of approximately 58.49% from approximately RMB103.84 million for the same period of last year.

The Directors will continue to assess the impact of the epidemic on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the epidemic. The Group will take appropriate measures as necessary and inform the Shareholders and potential investors as and when necessary.

For the Reporting Period, the Group had not experienced any difficulty in raising funds by bank borrowings and it had not experienced any liquidity problems in settling its payables in the normal course of business and repaying its bank borrowings when they fall due. After taking into account the Group's internal resources and existing banking facilities available to the Group, the Directors are of the opinion that the Group has sufficient working capital for future operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINAL DIVIDEND

On 30 March 2022, the Board proposed to pay the Final Dividend of RMB0.013 per share of the Company for the Reporting Period, totaling an aggregate amount of RMB4,671,420. Final Dividend on the overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on GEM (the "**H Shares**") will be paid in Hong Kong Dollars, converted at the central parity exchange rate of RMB against Hong Kong Dollars published by the People's Bank of China on the date of the annual general meeting to be held on Wednesday, 25 May 2022 (the "**AGM**"). The Board recommended to distribute the Final Dividend in cash to the Shareholders whose names appear on the register of members of the Company after the close of business on Monday, 6 June 2022. Subject to the approval of Shareholders at the AGM, the distribution of the Final Dividend is expected to be paid on or before 14 July 2022.

As at the date of this annual report, there is no arrangement that a Shareholder has waived or agreed to waive any dividends.

Pursuant to the Enterprise Income Tax Law of the PRC effective from 1 January 2008 and its implementation provisions and the Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) promulgated on 6 November 2008, the Company is obliged to withhold and remit enterprise income tax at a rate of 10% when it distributed the Final Dividend to the non-resident enterprise Shareholders whose names are registered in the register of members of H Shares. Any share which is not registered in the name of individual holders of H Shares (the "**H Shareholders**"), including the HKSCC Nominees Limited, other agents or trustees, or other organisations and entities is deemed as shares held by non-resident enterprise shareholders. Thus, enterprise income tax will be deducted from their dividends payable. Non-resident enterprise Shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

Pursuant to the requirements of "Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994]020)" (財政部、國家稅務總局關於個人所得稅若干政策問題的通知(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax on dividends or bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the Final Dividend to individual Shareholders whose names appear on the register of members of H Shares.

The Company takes no responsibility and disclaims any liability for any claims arising from the taxation status or tax treatment of individual H Shareholders and any claims arising from failure to determine in time or inaccurate determination on the taxation status or tax treatment of individual H Shareholders, or any disagreements regarding the withholding mechanism or arrangement.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Peng (李鵬), aged 58, was appointed as a Director on 28 September 2012. Mr. Li is the chairman of the Board (the "**Chairman**") and is responsible for overseeing the daily operation of the Group since he joined the Company as a Director and the general manager in September 2012 and November 2015, respectively. He is the chairman of FY Yunlian, Shanshan Fuyin commercial factoring Ltd. (杉杉富銀商業保理有限公司)("**Shanshan FY**") and Guangdong Yuanyu Jishi Technology Ltd. (廣東元宇基石信息科技有限公司) ("**Yuanyu Jishi**"), both are subsidiaries of the Company. Mr. Li is also a director of Tianjin FY Finance Lease Ltd.(天津富銀融資租賃有限公司)("**Tianjin FY**"), a wholly-owned subsidiary of the Company. Mr. Li has extensive legal knowledge and over five years of experience in corporate management. Mr. Li joined the predecessor of Tian Yuan Law Firm (天元律師事務所) in October 1993 where he focused on mergers and acquisitions till he left as a partner in September 2010. From October 2010 to September 2013, Mr. Li successively served as the vice president and the chief executive officer in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the overall management of the company. From September 2012 to May 2014, Mr. Li served as a director in China Lihe Company Limited (力合股份有限公司), an investment holding company listed on the Shenzhen Stock Exchange (stock code: 000532). He has served as the chairman of Shenzhen Fullin Jinkong Asset Management Co., Ltd. (深圳富銀金控資產管理有限公司) ("**Fullin Jinkong**"), an investment holding company where he has been responsible for overseeing the general management and of Shenzhen Shanhuitong Internet Financial Service Co., Ltd. (深圳杉滙通互聯網金融服務有限公司) ("**Shenzhen Shanhuitong**"), an online lending agent since June 2013 and July 2014, respectively. In July 2018, Mr. Li was appointed as an independent non-executive director of Shanghai Yaohua Pilkington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600819) and principally engaged in the research and development, manufacturing and sale of glass. Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC in July 1984.

Mr. Weng Jianxing (翁建興), aged 44, was appointed as a Director on 9 June 2016. He is also the risk management director and responsible for risk management and asset management of the Group. Mr. Weng joined the Group as the head of risk management department in April 2013 and was promoted as the risk management director in April 2015. He is also a director of three subsidiaries of the Company, namely FY Yunlian, Tianjin FY and Beijing Shanshan Medical Technology Development Co., Ltd.(北京杉杉醫療科技發展有限公司) ("**Shanshan Medical**"). Mr. Weng has more than seven years of experience in financial products and risk management. From September 2009 to March 2011, Mr. Weng was a product manager in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the development of financial products. From March 2011 to March 2013, he served as the risk control manager of CIMC Financial Leasing Company Limited (中集融資租賃有限公司), a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. He obtained his bachelor's degree in transportation, master's degree in corporate management and doctor's degree in business administration from Changsha Transportation Institute (長沙交通學院), Changsha University of Science & Technology (長沙理工大學) and Central South University (中南大學) in the PRC in June 2002, June 2005 and November 2011, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Gong Xiaoting (貢曉婷), aged 39, was appointed as a Director on 12 May 2021. She first joined the Group as the head of finance department of Fullin Financial Leasing (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), the predecessor of the Company, from January 2013 to December 2014 and became the head of medical division from January 2015 to November 2017. Subsequently, Ms. Gong served as the deputy general manager of the Company since December 2020. Since November 2017, Ms. Gong has been serving as the general manager of Shanshan Medical, primarily responsible for the development of the medical business and day-to-day management of the Company. She is also a director of FY Yunlian and Yuanyu Jishi. Currently, Ms. Gong is primarily responsible for investment management related matters and financial management of the Company. Ms. Gong has extensive experience in the fields of accounting and finance. From August 2007 to March 2011, Ms. Gong served as a senior auditor at KPMG LLP, primarily responsible for auditing and internal control review of companies listed on the New York Stock Exchange. From November 2011 to December 2012, Ms. Gong served as an investment manager at Ningbo Shanshan Co., Ltd.(寧波杉杉股份有限公司) ("**Shanshan**"), a former substantial Shareholder the shares of which are listed on the Shanghai Stock Exchange (stock code: 600884), where she was primarily responsible for performing due diligence, financial analysis and industry research on offshore corporations.

Ms. Gong's father, Mr. Gong Liang, owns 45% equity interest in Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司) ("**Dayuan Tiandi**"), a substantial Shareholder holding 80,000,000 ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in RMB by PRC natural persons or entities established under the laws of the PRC and all of which have not been listed on the Stock Exchange (the Domestic Shares), representing 22.26% of the total number of issued shares of the Company as at the date of this annual report.

Ms. Gong obtained her bachelor's degree from Ohio State University majoring in professional accounting in June 2005, and obtained her master's degree from University of Illinois Urbana-Champaign majoring in accounting and minor in finance in May 2007. Ms. Gong qualified as a certified public accountant under The Illinois Public Accounting Act in the State of Illinois in September 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Peng Qilei (彭期磊), aged 58, was appointed as a Director on 12 May 2021. He has extensive experience in the fields of engineering and management. From July 1983 to August 1991, Mr. Peng served as a technician, engineer, workshop supervisor and deputy director of the technical department at Sichuan Ya'an Jian'an Machinery Factory (四川雅安建安機械廠). From August 1995 to December 2000, Mr. Peng served as the general manager at Beijing Longxin Communication Cables Co., Ltd. (北京龍信通信電纜有限公司). Since December 2002, Mr. Peng has been serving as the deputy general manager of Dayuan Tiandi and Longding Huayuan. Mr. Peng has also been serving as the deputy general manager of Beijing Dayuan Tiandi Real Estate Brokerage Co., Ltd. (北京大苑天地房地產經紀有限責任公司) ("**Beijing Dayuan Tiandi**"), Beijing Dayuan Renhe Real Estate Development Co., Ltd. (北京大苑仁和房地產開發有限公司), Beijing Mingrun Guangju Investment Co., Ltd. (北京明潤廣居投資有限責任公司), and Hebei Yigao Real Estate Development Co., Ltd. (河北益高房地產開發有限責任公司), each being a non-wholly owned subsidiary of Dayuan Tiandi, since March 2004, August 2016, January 2010, and May 2018, respectively. Since December 2020, Mr. Peng has also been serving as an executive partner of Zhuhai Mingrun Guangju Technology Industry Investment Enterprise (珠海明潤廣居科技產業投資企業). Mr. Peng obtained a bachelor of engineering degree in automatic mechanics from Taiyuan Institute of Machinery (太原機械學院) in 1983, and a master of engineering postgraduate degree from the School of Vehicles Engineering of Beijing Institute of Technology (北京理工大學車輛工程學院) in 1994.

Ms. Liu Jing (劉敬), aged 52, was appointed as a Director on 12 May 2021. She has extensive experience in the field of accounting. From July 1991 to June 1993, Ms. Liu served as an accountant at Beijing Haiyu Industrial and Trading Co., Ltd. (北京海玉工貿公司). From July 1993 to March 2003, Ms. Liu served as an accounting supervisor at Beijing Zhongyu Decoration and Renovation Products Co.,Ltd. (北京中玉裝飾裝潢製品有限公司). From April 2003 to March 2004, Ms. Liu served as an accounting supervisor at Ruicheng Hotel (瑞成大酒店). Since April 2004, Ms. Liu has been serving as the deputy general manager of Dayuan Tiandi, a property developer and a substantial Shareholder, the deputy general manager of Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司) ("**Longding Huayuan**"), a non-wholly owned subsidiary of Dayuan Tiandi, the general manager of Beijing Dayuan Tiandi Hotel Management Co., Ltd. (北京大苑天地酒店管理有限責任公司), and the general manager of Beijing Dayuan Tiandi Property Management Co., Ltd. (北京大苑天地物業管理有限公司). Since January 2018, Ms. Liu has been serving as the deputy general manager of Beijing Huicheng Jiaye Investment Co., Ltd. (北京匯盛嘉業投資有限公司). Ms. Liu obtained her bachelor's degree from Beijing University of Chemical Technology (北京化工大學) majoring in professional accounting in 1991.

Ms. Tong Fangyan (仝芳妍), aged 38, was appointed as a Director on 8 October 2021. She has extensive experience in the fields of capital markets, finance, investments and investment bank. From September 2008 to July 2014, Ms. Tong worked at the corporate development and finance department of CITIC Securities Company Limited, a joint stock company whose overseas listed foreign shares and domestic shares are listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030), respectively, primarily responsible for initial public offering projects, private placements and restructuring projects. Ms. Tong has been serving as the investment director of Shanghai Yuanlong Investment Holdings Group Co., Ltd.* (上海原龍投資控股(集團)有限公司) ("**Shanghai Yuanlong**") since August 2014, and was promoted as the deputy general manager in October 2020. She is primarily responsible for that group's investments in primary markets, strategic investment planning, setting up investment funds, capital market financing, mergers and acquisitions, and financial leasing management. Since November 2017, Ms. Tong has been serving as the director of Shanghai Huimao Financing Leasing Co.,Ltd.* (上海匯茂融資租賃有限公司), primarily responsible for various direct leasing and leaseback projects and asset-backed securities projects. Ms. Tong obtained a bachelor's degree in management science from China Agricultural University in 2005 and a master's degree in technology economics and management from Chinese Academy of Sciences in 2008.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Che Wai Anthony (馮志偉), aged 53, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司), now known as Zall Smart Commence Group Ltd. (卓爾智聯集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for the overall financial operation, company secretarial matters and investor relations. From May 2017, Mr. Fung serves as the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司) (stock code: 3718), a company engaged in the provision of environmental hygiene services and hazardous waste treatment business. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), a company listed on the Main Board of the Stock Exchange. From October 2020, Mr. Fung serves as an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司) (stock code: 3913), a comprehensive property management service provider in China. From November 2021, Mr. Fung has been serving as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司) (stock code: 672), a real estate developer in China.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in October 2001 and September 2005, respectively. Mr. Fung obtained his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hon Leung (韓亮), aged 39, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015 to June 2018, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of the company. Mr. Hon qualified as a certified public accountant by the HKICPA in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文), aged 45, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. From November 2014 to July 2018, Mr. Liu was the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since July 2018, Mr. Liu has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch and he was promoted to a partner in March 2021. From September 2015 to February 2021, Mr. Liu served as an independent director of Shenzhen Tech and Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code: 300197). Mr. Liu qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000, respectively. Mr. Liu obtained a master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

SUPERVISORY COMMITTEE

Mr. Zhu Xiaodong (朱曉東), aged 49, was appointed as a Supervisor and elected as the representative of the Shareholders on 11 August 2015, and was subsequently appointed as the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") on 12 May 2021. Since July 2003, he has been the chief financial officer of Dayuan Tiandi, a property developer, where he has been responsible for the financial management of that company. Mr. Zhu obtained a bachelor's degree in law from Tianjin Normal University (天津師範大學) in the PRC in July 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Bing (劉兵), aged 49, was appointed as an employee representative Supervisor of the Company on 7 July 2015. Mr. Liu joined the Group on 15 March 2013. From August 1995 to December 2007, Mr. Liu held several positions including deputy office director in Linli Development Reform and Price Bureau (臨澧縣發展改革物價局), where he was responsible for the price determination for electricity, water and petroleum. From May 2009 to December 2010, he was the head of the audit department of Shenzhen Shidu Industrial Company Limited (深圳市世都實業有限公司), a company primarily engaged in the sales of garments, where he was responsible for internal audit. From December 2010 to May 2012, he was a risk manager in Shenzhen Zhongkezhi Financing Guarantee Company Limited, a company primarily engaged in providing credit guarantee services, where he was responsible for due diligence and assets valuation. From June 2012 to March 2013, he was the manager of the department of risk management in Shenzhen Wanfeng Weiye Financing Guarantee Company Limited (深圳市萬豐偉業融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for establishing the risk management system. Mr. Liu obtained a graduation certificate in audit from Hunan University of Commerce (湖南商學院) in the PRC in June 1995. In addition, he obtained a price appraiser qualification certificate from the Personnel Department of Hunan Province (湖南省人事廳) in the PRC in April 2001. In December 2011, Mr. Liu also became a non-practising member of The Chinese Institute of Certified Public Accountants of the PRC.

Mr. Sun Luran (孫路然), aged 29, was appointed as a Supervisor on 12 May 2021. During the period from 12 April 2016 to 12 May 2021, he was a Director of the Company taking an advisory role in the Board in view of his knowledge in finance, understanding in the capital and financial market and financial risk management, which will assist the Board in evaluating and improving the internal control and risk management systems of the Group. He joined Shenzhen Shanhuitong as a risk control manager in May 2016 and has been involved in risk management related work shortly after his graduation from the University of Huddersfield in the United Kingdom in June 2014 and March 2016, where he received his bachelor's degree in business management and master's degree in finance, respectively.

Save as disclosed above, none of the other Directors or Supervisors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules, and none of the Directors, Supervisors and senior management members acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Peng (李鵬), for details of Mr. Li Peng's biography, see "Executive Directors" above.

Mr. Weng Jianxing (翁建興), for details of Mr. Weng Jianxing's biography, see "Executive Directors" above.

Ms. Gong Xiaoting (貢曉婷), for details of Ms. Gong Xiaoting's biography, see "Executive Directors" above.

Ms. Xie Ying (謝瑛), aged 33, has over 5 years of experience in corporate secretarial field. Ms. Xie joined the Group as securities affairs representative in December 2017 and was promoted as deputy director and board secretary of securities affairs and investment department and joint company secretary in July 2020, May 2021 and June 2021, respectively. Prior to joining the Group, Ms. Xie was an assistant to the board secretary of NNK Group Limited (年年卡集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 3773), from April 2016 to October 2017, where she was responsible for information disclosure, board matters and compliance matters relating to the company. Ms. Xie obtained her bachelor's degree from University of Nevada, Reno majoring in finance in December 2012, and obtained her master's degree from University of California, Riverside majoring in business administration in June 2015.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the Reporting Period.

COMPLIANCE WITH THE CG CODE

The Group is committed to have a high quality Board and a high level of transparency and observed the principles and code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules in force from time to time. Unless otherwise stated, reference of the code provisions made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix 15 to the GEM Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021. The Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code. The current practices are reviewed and updated regularly to be in line with the CG Code and align with the latest developments.

During the Reporting Period, except for the deviation from A.2.1 of the CG Code mentioned below, the Group has complied with all the code provisions and principles of the CG Code. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

DEVIATION FROM THE CG CODE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer of a listed company should be separate and should not be performed by the same individual.

Mr. Zhuang Wei had been the chairman of the Board until his resignation took effect on 8 October 2021. Since his resignation, Mr. Li Peng has been the chairman of the Board and is primarily responsible for providing leadership to the Board and overseeing the Group's overall strategic planning and management. The chairman of the Board provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With the support of the company secretaries of the Company, the chairman is also responsible for ensuring that the Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable, and appropriate briefings on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

Presently, the Company does not have a position with the title "chief executive officer". The role of general manager of the Company is to carry out the duties of a chief executive officer, and is responsible for the Group's day-to-day management, operations and business development. The general manager focuses on implementing objectives, polices and strategies approved by the Board.

During the Reporting Period, Mr. Li Peng was also the general manager of the Company and responsible for the Group's day-to-day management, operations and business development.

As such, the Company deviated from the code provision A.2.1 of the CG code during the Reporting Period. Considering the fact that Mr. Li Peng has demonstrated suitable management and leadership capabilities along with his thorough understanding of the Group's business since his appointment as a Director and the general manager of the Company in 2012 and 2015, respectively, the Board believes that vesting both the roles of chairman of the Board and general manager of the Company in Mr. Li can facilitate the execution of the Group's business strategies and maximizes the effectiveness of its operations. In addition, as all major decisions are made in consultation with the members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review its structure from time to time to ensure that appropriate action is being taken as and when appropriate.

CORPORATE GOVERNANCE REPORT

COMPOSITION AND DUTIES OF THE BOARD

As at 31 December 2021, the Board consisted of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

The composition of the Board during the Reporting Period and up to the date of this annual report is as follows:

Executive Directors

Mr. Li Peng (李鵬) (Chairman)
Mr. Weng Jianxing (翁建興)
Ms. Gong Xiaoting (貢曉婷)
(Appointed on 12 May 2021)
Ms. Wang Ying (王瑩)
(Resigned on 12 May 2021)

Non-executive Directors

Mr. Peng Qilei (彭期磊)
(Appointed on 12 May 2021)
Ms. Liu Jing (劉敬)
(Appointed on 12 May 2021)
Ms. Tong Fangyan (仝芳妍)
(Appointed on 8 October 2021)
Mr. Zhuang Wei (莊巍)
(Resigned on 8 October 2021)
Mr. Qian Cheng (錢程)
(Resigned on 12 May 2021)
Mr. Sun Luran (孫路然)
(Resigned on 12 May 2021)

Independent Non-executive Directors

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

According to the articles of association of the Company (the "**Articles of Association**"), all the Directors shall be elected by the general meeting for a term of three years, and are eligible for re-election upon expiry of their terms. The powers and duties of the Board include, but are not limited to convening Shareholders' general meetings, reporting the Board's work at the shareholders' meetings, implementing the resolutions passed at general meetings, determining the Group's business and investment plans, formulating its annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of the Company's registered capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

Each of the Directors (including the non-executive Directors and the independent non-executive Directors) has entered into a service contract with the Company for a term of 3 years (for those appointed or re-elected at the Company's annual general meeting held on 12 May 2021) or for a term commencing from the date of the general meeting at which his/her appointment was approved to the expiration of the term of the third session of the Board/Supervisory Committee (as the case may be).

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

During the Reporting Period, Ms. Xie Ying and Ms. Ng Wing Shan have been appointed as the joint company secretaries of the Company. Ms. Xie Ying is the Board secretary of the Company. Ms. Ng Wing Shan is the vice president of SWCS Corporate Services Group (Hong Kong) Limited and assists Ms. Xie Ying in company secretarial affairs. Ms. Ng is a fellow member of The Hong Kong Chartered Governance Institute and a fellow member of The Chartered Governance Institute in the United Kingdom. Ms. Ng Wing Shan's primary company contact person is Ms. Xie Ying.

During the Reporting Period, both Ms. Xie Ying and Ms. Ng Wing Shan have undertaken not less than 15 hours of relevant professional training.

Ms. Ng Wing Shan resigned as the joint company secretary and Mr. Wong Wai Chiu appointed as the joint company secretary of the Company on 24 February 2022. Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited and assists Ms. Xie Ying in company secretarial affairs. Mr. Wong is a fellow of Hong Kong Chartered Governance Institute, a fellow of The Chartered Governance Institute in the United Kingdom, a member of CPA Australia, a member of the Hong Kong Trustee Association and a Certified Trust Practitioner. Mr. Wong Wai Chiu's primary company contact person is Ms. Xie Ying.

BOARD COMMITTEES

The Company established three Board committees (the "**Board Committees**"), namely the Audit Committee, the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") on 25 April 2017. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are published on the websites of the Company and the Stock Exchange.

Audit Committee

The Board established the Audit Committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, being Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen. The Audit Committee is chaired by Mr. Fung Che Wai Anthony, who is the independent non-executive Director with the appropriate professional qualifications. The primary duties of the Audit Committee include (but are not limited to) assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process, developing and reviewing the Company's policies and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee held five meetings to review the quarterly financial results announcement and report for the three months ended 31 March 2021; the interim financial results announcement and report of the Company for the six months ended 30 June 2021; the quarterly financial results announcement and report for the nine months ended 30 September 2021; and the annual financial results announcement and report of the Company for the year ended 31 December 2020 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Company's internal audit function.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established the Nomination Committee on 25 April 2017. The written terms of reference are in compliance with code provision A.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary function of the Nomination Committee include (but are not limited to): (i) to assess and recommend to the Board suitable persons for appointment as Directors, Board Committee members, chief executive and senior management positions; (ii) in the case of persons for appointment as independent non-executive Director, to assess whether the person meets the criteria of independent non-executive Director as may be defined in the GEM Listing Rules, and also to perform the annual assessment; (iii) to recommend to the Board the succession planning for Directors, in particular the Chairman, chief executive and senior management; and (iv) to ensure that all Directors receive appropriate continuous training programmes. The Nomination Committee will identify suitable individuals qualified to become Board members by utilizing various methods including but not limited recommendations from Board members, management, and professional search firms, and make recommendation on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to those candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of a strong and diverse Board. The evaluation of candidates for directorship by the Nomination Committee may include, without limitation, review of resume and job history, conduct personal interviews, verification of professional and personal references and performance of background checks. The Board will consider the recommendations of the Nomination Committee and is responsible for designating the candidates for directorship to be considered and elected by the Shareholders at the general meetings of the Company, or appointing suitable candidates as Directors to fill the casual vacancies or as additional members to the Board, subject to compliance with the constitutional documents of the Company.

Nomination of candidate for Directors could also be made by Shareholders' holding, individually or collectively, more than 3% of voting shares of the Company. Before the convening of the Shareholders' general meeting, the candidates for Directors shall provide written undertakings accepting the nomination and shall confirm that the information publicly disclosed is true and complete, and that they will discharge their duties as a Director upon election. Directors shall be elected or changed at the Shareholders' general meeting and serve a term of 3 years. A Director may serve consecutive terms if re-elected upon the expiry of his/her term. List of candidates for Directors shall be proposed to the Shareholders' general meeting in form of a proposal. The proposal for election of Directors shall be made separately at the Shareholders' general meeting. Managers and other senior management may hold a concurrent post as a Director. A Director does not need to hold shares of the Company.

The Nomination Committee consists of one non-executive Director, being Mr. Li Peng and two independent non-executive Directors, being Mr. Hon Leung and Mr. Fung Che Wai Anthony. The Nomination Committee is chaired by Mr. Li Peng, the Chairman.

During the Reporting Period, the Nomination Committee held two meeting to (i) review the structure, size and composition of the Board; (ii) make recommendation to the Board on the appointment and re-election of the Directors; (iii) assess the independence of the independent non-executive Directors to determine their eligibility; (iv) review the diversity policy of the Board; and (v) review the nomination policy.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Board established the Remuneration Committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.34 of the GEM Listing Rules and code provision B.1 of the CG Code. The primary duties of the Remuneration Committee include (but are not limited to): (i) to review annually and recommend to the Board the remuneration policy and structure for the Directors, chief executive and senior management; (ii) to oversee the performance evaluation of the executive Directors, chief executive and senior management and recommend to the Board their remuneration packages, promotions, specific adjustments in remuneration and/or reward payments, if any; (iii) to make recommendations to the Board on the remuneration of non-executive Directors and to ensure that the level of remuneration for non-executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board; (iv) to review the terms and conditions of service of the executive Directors, chief executive and senior management including their total remuneration package for market competitiveness; and recommend changes to the Board whenever necessary; and (v) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee consists of one non-executive Director, being Mr. Peng Qilei and two independent non-executive Directors, being Mr. Liu Shengwen and Mr. Hon Leung. The Remuneration Committee is chaired by Mr. Liu Shengwen.

During the Reporting Period, the Remuneration Committee held two meetings to review the remuneration package of the Directors (including non-executive Directors) and senior management and the remuneration policy of the Company.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to reflect their individual performance by a reasonable remuneration package. The remuneration package includes basic salary, performance and other benefits. Remuneration of the independent non-executive Directors mainly includes the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of the independent non-executive Directors and their experience.

REMUNERATION POLICY

The Group provides employees with fair and equitable remuneration and benefits based on individual performance, experience and market benchmarks. The Group have formulated a set of employee performance appraisal mechanisms and makes appropriate salary adjustments every year according to employee performance to reduce the loss of talent.

During the Reporting Period, there was no long-term incentive schemes of the Group.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committees meetings and general meetings of the Company held during the Reporting Period is set out in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Extraordinary General Meeting	Annual General Meeting
Executive Directors						
Mr. Li Peng (李鵬)	15/15	N/A	N/A	N/A	1/1	1/1
Mr. Weng Jianxing (翁建興)	15/15	N/A	N/A	N/A	1/1	1/1
Ms. Gong Xiaoting (貢曉婷) (Appointed on 12 May 2021)#	12/12	N/A	N/A	N/A	1/1	1/1
Ms. Wang Ying (王瑩) (Resigned on 12 May 2021)#	3/3	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. Zhuang Wei (莊巍) (Resigned on 8 October 2021)#	11/11	N/A	2/2	N/A	1/1	1/1
Mr. Peng Qilei (彭期磊) (Appointed on 12 May 2021)#	12/12	N/A	N/A	1/2	1/1	1/1
Mr. Qian Cheng (錢程) (Resigned on 12 May 2021)#	3/3	N/A	N/A	1/2	N/A	1/1
Ms. Liu Jing (劉敬) (Appointed on 12 May 2021)#	12/12	N/A	N/A	N/A	1/1	1/1
Mr. Sun Luran (孫路然) (Resigned on 12 May 2021)#	3/3	N/A	N/A	N/A	N/A	1/1
Ms. Tong Fangyan (仝芳妍) (Appointed on 8 October 2021)#	4/4	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Fung Che Wai Anthony (馮志偉)	15/15	5/5	2/2	N/A	1/1	1/1
Mr. Hon Leung (韓亮)	15/15	5/5	2/2	2/2	1/1	1/1
Mr. Liu Shengwen (劉升文)	15/15	5/5	N/A	2/2	1/1	1/1

\# Ms. Wang, Mr. Qian and Mr. Sun resigned on 12 May 2021; Ms. Gong, Mr. Peng and Ms. Liu was appointed on 12 May 2021; Mr. Zhuang resigned on 8 October 2021; and Ms. Tong was appointed on 8 October 2021. Therefore, each of Ms. Wang, Mr. Qian, Mr. Sun, Ms. Gong, Mr. Peng, Ms. Liu, Mr. Zhuang and Ms. Tong was only required to attend such number of relevant meetings held during the period in 2021 which he/she held office as a Director.

CORPORATE GOVERNANCE REPORT

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Reporting Period, the trainings attended by each of the Directors are summarised as follows:

Name of Director	Attending in-house training organized by professional organizations	Reading materials updating new rules and regulations
Executive Directors		
Mr. Li Peng (李鵬)	√	√
Mr. Weng Jianxing (翁建興)	√	√
Ms. Gong Xiaoting (貢曉婷) (Appointed on 12 May 2021)	√	√
Ms. Wang Ying (王瑩) (Resigned on 12 May 2021)	×	√
Non-executive Directors		
Mr. Peng Qilei (彭期磊) (Appointed on 12 May 2021)	√	√
Ms. Liu Jing (劉敬) (Appointed on 12 May 2021)	√	√
Ms. Tong Fangyan (仝芳妍) (Appointed on 8 October 2021)	√	√
Mr. Zhuang Wei (莊巍) (Resigned on 8 October 2021)	×	√
Mr. Qian Cheng (錢程) (Appointed on 12 May 2021)	×	√
Mr. Sun Luran (孫路然) (Resigned on 12 May 2021)	×	√
Independent Non-executive Directors		
Mr. Fung Che Wai Anthony (馮志偉)	√	√
Mr. Hon Leung (韓亮)	√	√
Mr. Liu Shengwen (劉升文)	√	√

CORPORATE GOVERNANCE REPORT

REQUIRED STANDARD OF DEALINGS

The Company has adopted a Code of Conduct on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all the Directors and the Supervisors, and all the Directors and the Supervisors have confirmed that they had complied with the Code of Conduct throughout the Reporting Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Group at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company confirms all independent non-executive Directors are independent in accordance with the independence guidelines.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledged its responsibility of preparing the financial statements for the Reporting Period of the Company.

The Board is responsible for the clear and fair assessment for the quarterly, interim and annual reports and other disclosures according to the GEM Listing Rules and other regulatory requirements. The senior management has provided the Board with all necessary explanations and information for the Board to make an implementation assessment of the Company's financial data and position and for the Board's consideration and approval.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the Reporting Period is set out below:

Type of services provided by external auditors	Amount of fees (HK$)
Audit services	750,000.00
Non-audit service	263,166.44
Total	1,013,116.44

Non-audit service includes review conducted for the period ended 30 June 2021 and preparation of a letter on working capital sufficiency statement and report on unaudited pro forma financial information for major transaction.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

INFORMATION DISCLOSURE

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the GEM Listing Rules and the Securities and Futures Ordinance (the "**SFO**"), and adheres to the important principle of timely publication of inside information. The Company abides by the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong (the "**SFC**"), and has developed a complete system of internal procedures and information disclosure policy for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities. The Company is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the GEM Listing Rules. The Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the SFC. The Company also included in its information disclosure polices a strict prohibition on the unauthorised use of confidential or inside information. The Board will determine further escalation and appropriate handling the dissemination of inside information.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 28 May 2017, setting out the approach to achieve diversity within the Board. The Company considered diversity of Board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT

Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The Nomination Committee shall review this policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

As at the date of this annual report, the Board comprises 9 Directors, covering different genders and has a broad age distribution and a diverse mix of age, background, knowledge and skills. The Nomination Committee considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

	Age		Gender		Education Background			
Name of Directors	30-39	40-59	Male	Female	Legal	Accounting/ Finance/ Economic	Management	Others
Li Peng		✔	✔		✔			
Weng Jianxing		✔	✔				✔	
Gong Xiaoting	✔			✔		✔		
Peng Qilei		✔	✔				✔	
Liu Jing		✔		✔		✔		
Tong Fangyan	✔			✔				✔
Fung Che Wei, Anthony		✔	✔			✔		
Liu Shengwen		✔	✔			✔		✔
Hon Leung	✔		✔			✔		

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no financial, business, family or other significant relationship among the members of the Board.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the joint interests of the Company and the Shareholders. The Board has delegated to the general manager, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board Committees and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in section headed "Board Committees" in this annual report.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

All the Directors, including the non-executive Directors and the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All the Directors have access to all the information of the Company as well as the services and advice of the company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

All the Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and the Shareholders at all times. The CG Code requires directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer. The Directors have agreed to disclose their commitments to the Company in a timely manner and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has arranged appropriate liability insurance coverage for the Directors in relation to legal proceedings against the Directors.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions. During the Reporting Period, the Board has discharged the following corporate governance duties:

– to develop and review the Company's policies and practices on corporate governance;

– to review and monitor the training and continuous professional development of the Directors and the senior management;

– to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct applicable to employees and the Directors; and

– to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

As a financial services company, the Group faces a variety of risks in the daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed a risk management system tailored to the characteristics of the business operations, with a focus on managing the risks through comprehensive due diligence on customers, independent information review and multi-level approval process. The Group seeks to maintain a diversified portfolio with a primary focus on various strategic industries for the finance leasing and factoring businesses. The Group believes this enhances the risk management capability in that the overall portfolio risk will be less vulnerable to the cyclicality and market conditions of a single industry. The Group continues to monitor and review the operation and performance of the risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment.

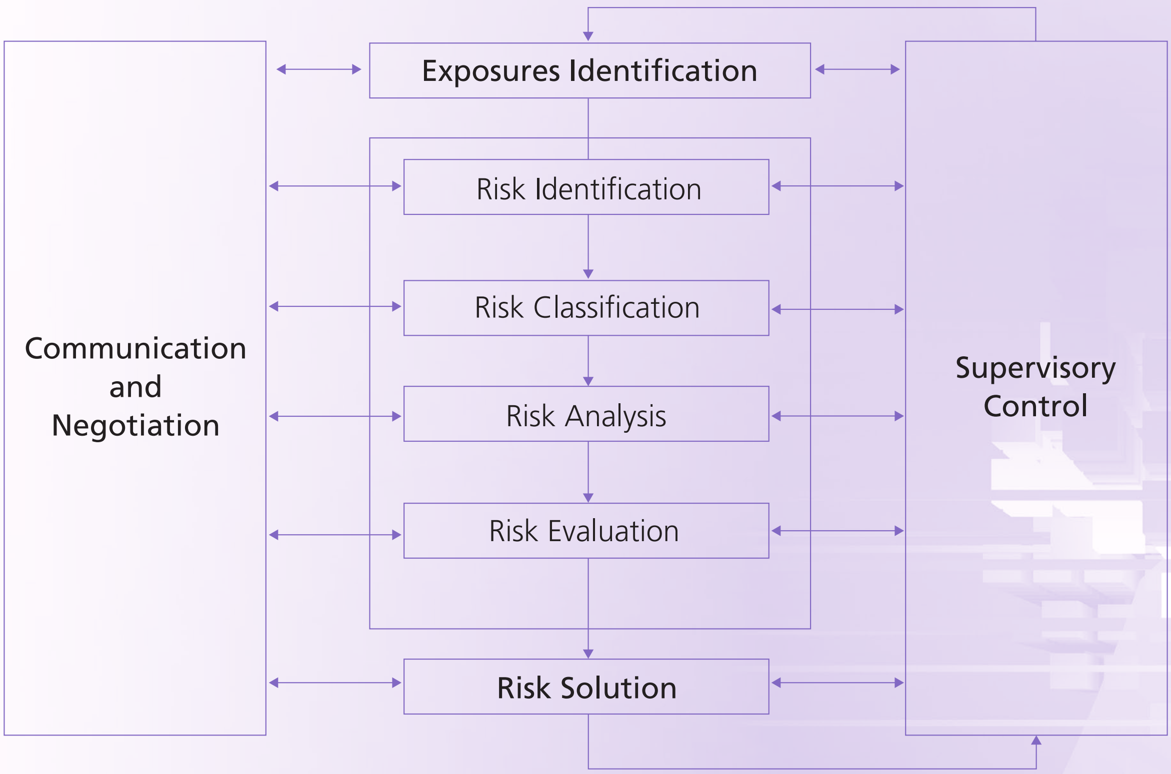
The Board is the highest level of the risk management system, and is ultimately responsible for the overall risk management and internal control systems and reviewing their effectiveness. During the Reporting Period, the Board conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources used for the Group's accounting principal and financial report, staff qualifications and experience, training program, financial budget and financial account of the Group, and policies of the risk management and internal control systems. The Board considered the risk management and internal control systems is effective and adequate in all material aspects in both design and operations. Although the Board has exercised its best efforts to perfect the Group's risk management and internal control system, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and the Board can only provide reasonable but not absolute assurance against material misstatements or loss.

CORPORATE GOVERNANCE REPORT

The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system. Further information of the Company's risk management process and features are set out below.

(A) the process used to identify, evaluate and manage significant risks; The process should be:

- part of the management process;
- embedded in culture and specific work practices;
- making plans for the realization of business objectives in accordance with the Company's business process.



(B) the main features of the risk management and internal control systems;

a. Risk management creates and protects value.

Risk management contributes to the achievement of clear objectives and the improvement of performance, for example, in the health and safety of personnel, public security, compliance with laws and regulations, public acceptance, environmental protection, product quality, project management, operational efficiency, governance and reputation.

CORPORATE GOVERNANCE REPORT

b. Risk management is an integral part of all organizational processes.

Risk management is not an isolated activity separate from the company's main activities and processes. Risk management is the part of management responsibility and integration in all organizational processes, including strategic planning, all projects, and change management processes.

c. Risk management supports decision making.

Risk management can help decision makers make informed choices, prioritize measures, and identify the direction of action.

d. Risk management clearly solves the problem of uncertainty.

Risk management clearly describes uncertainty, the nature of uncertainty, and how to solve it.

e. Risk management should be systematic, structured and timely.

A systematic, timely and structured approach to risk management contributes to increased efficiency and consistent, measurable and reliable results.

(C) the process used to review the effectiveness of the risk management internal control systems;

To ensure effective risk management and continuous improvement of the Company's performance, the Company shall take actions as followings:

- risk management performance is measured based on parameters that are properly and regularly reviewed;
- regularly measure the progress and deviation degree of the risk management plan;
- periodically review whether the risk management framework, policies and plans are still appropriate and effective based on the internal and external conditions of the Company;
- report on the progress of the risk management plan and how to implement the risk management policy;
- review the effectiveness of the risk management framework.

CORPORATE GOVERNANCE REPORT

(D) to resolve material internal control defects;

Risk management involves the selection of one or more options for correcting risks and the implementation of those options. Once the program is implemented, treatment provides or improves control measures. Risk management involves a circular process:

– evaluating risk management;

– determining whether the degree of residual risk is tolerable;

– considering new risk management measures not permitted;

– evaluating the effectiveness of the treatment. Risk management options need not be mutually exclusive or appropriate in all cases. The scheme may include the following:

a. Avoiding risks by deciding not to carry out or stop activities that generate risks;

b. Accepting or enhancing risks in order to seek opportunities;

c. Eliminating sources of risk;

d. Possibility of change;

e. Changing the consequences;

f. Sharing the risk with the other parties;

g. Risk retention through fact-based decisions.

During the Reporting Period, the Group has engaged Zhonghui Anda Risk Services Limited ("**Zhonghui**") to conduct a review on the effectiveness of the Group's risk management and internal control for the Reporting Period. Such review covered material controls, including financial, operational and compliance controls and did not reveal any significant defects. Zhonghui has reported major findings and areas for improvement to the Board. Relevant recommendations made by Zhonghui have been properly followed up by the Group to further enhance its internal control policies, procedures and practices. The Board considered the Group's risk management and internal controls are effective and adequate.

The Company reviews each position of the operating departments and other functional departments annually to identify, analyze and evaluate the risks. The risk assessment results and the proposed internal control measures are submitted to the senior management and the general manager of the Company for review and approval. The senior management and the general manager of the Company are also responsible for supervising the effectiveness of implementation and future execution of the risk control measurement.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Where the Company convenes a general meeting, a notice of the meeting shall be given at least 20 clear business days (for annual general meeting) and at least 10 clear business days or 15 days (whichever is longer) (for extraordinary general meeting) before the date of the meeting to notify all of the Shareholders in the register of Shareholders the matters to be considered and the date and venue of the meeting to be held.

Shareholders' Rights to Propose Resolutions

When the Company convenes a general meeting, the Board, the Supervisory Committee, or Shareholders individually or jointly holding more than 3% of the total number of shares of the Company shall have the right to propose resolutions. Shareholders individually or jointly holdings 3% or more of the shares of the Company may submit ad hoc proposals in writing to the convener of the Shareholders' general meeting 10 days before the convening of the Shareholders' general meeting. The convener shall issue a supplemental notice of the Shareholders' general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. If the ad hoc proposal does not comply with Article 59 of the Articles of Association according to the view of the convener after his/her reviewing and the convener decide not to include this ad hoc proposal into the agenda, the convener shall issue a notice for not including this ad hoc proposal into the agenda within two days and specify the reasons; and at the same time, the convener shall make explanation at this Shareholders' general meeting, and make announcement on the content of ad hoc proposal and the explanation of the convener and as well as the resolutions of Shareholders' general meeting after the Shareholders' general meeting.

Except for circumstances provided in the above paragraph, the convener, after issuing the notice and announcement of the Shareholders' general meeting, shall neither revise the proposals stated in the notice of general meetings nor add new proposals.

If a notice of general meeting does not specify the proposed resolutions or does not comply with Article 59 of the Articles of Association, no voting for resolutions shall be carried out at the Shareholders' general meeting.

Shareholders' Right to Requisite a Meeting

Shareholders requisiting an extraordinary general meeting or class meeting of Shareholders shall abide by the following procedures:

(a) Shareholders individually or jointly holding more than 10% of shares of the Company are entitled to request the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with the requirements of laws, administrative regulations and the Articles of Association, reply with a written opinion to state whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

CORPORATE GOVERNANCE REPORT

(b) If the Board agrees to convene the extraordinary general meeting, it shall issue a notice of convening the Shareholders' general meeting within five days after the date of the resolution of the Board. Any changes made to the original proposal in the notice shall be agreed by the relevant Shareholders. If the Board disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to convene an extraordinary general meeting.

(c) If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening the Shareholders' general meeting within five days upon receipt of the proposal. Any changes made to the original proposals in the notice shall be agreed by the relevant Shareholders. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not holding the Shareholders' general meeting. Then the Shareholders individually or jointly holding more than 10% of the shares of the Company for more than 90 consecutive days are entitled to convene and hold the meeting themselves.

Inquiry and Communication of Shareholders

The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairmen of all Board Committees (or their delegates) will make themselves available at general meetings to meet with the Shareholders and answer their enquiries.

The AGM will be held on Wednesday, 25 May 2022.

To promote effective communication, the Company maintains a website at www.fyleasing.com, where up-to-date information and updates on the Company's business operations and development, financial information, corporate governance practices and other information are available for public access. The Company and the Board value the views and inputs of the Shareholders and the investors. The Company welcomes suggestions from the investors and the Shareholders in relation to the development of the Company to the Company via email or telephone.

Email: jgzx@fyleasing.com
Telephone: +86 755 8272 3451

CORPORATE GOVERNANCE REPORT

POLICY ON PAYMENT OF DIVIDENDS

The Company may distribute its dividend by means of: (i) cash; (ii) stocks or (iii) a combination of the above. Domestic Shares, unlisted foreign shares and H Shares shall enjoy equal rights to dividend or any other distribution. Any amount paid up in advance of calls on any shares may carry interest but shall not entitle such Shareholder to the dividend subsequently declared. The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign shares to receive on behalf of such Shareholders dividends declared and all other monies owing by the Company in respect of such shares. The receiving agents appointed by the Company shall meet the requirements of the laws or the relevant provisions of the stock exchanges in the place where the Company is listed. The receiving agents appointed on behalf of holders of H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong. Subject to the relevant laws, administrative regulations, rules and requirements of the Stock Exchange, the Company may exercise the right to confiscate unclaimed dividends, but such right shall be exercised only after the applicable time expires. The Company shall have the right to terminate the delivery of the dividend coupon through the postal service to a holder of H Shares, but the Company may only exercise such right after the dividend coupon is not cashed twice in succession. The Company may also exercise such right after the dividend coupon is not delivered to the recipient for the first time and was thus returned. The Company shall have the right to sell the shares held by a holder of H Shares who is not available for contact in such a way as is considered appropriate by the Board, but this shall observe the following conditions: (i) the Company has distributed dividend to relevant shares for at least three times within 12 years, during which the dividend is unclaimed; and (ii) after the 12-year period expires, the Company shall publish an announcement in newspapers, specifying the intent to sell the shares, and notify the Stock Exchange.

The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and, any declaration of final dividend for the year will be subject to the approval of the Shareholders. The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the Shareholders, provided that the Group records a profit after tax and that the declaration and distribution of dividends does not affect the normal operations of the Group. In deciding whether to propose a dividend and in determining the dividend amount, the Board would take into account the Group's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Board may consider relevant. Whilst the Board will review from time to time for determination on proposed dividend with the above factors taken into account, there can be no assurance that dividends will be declared or paid in any particular amount for any given period. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

CORPORATE GOVERNANCE REPORT

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Articles of Association was approved for amendments by Shareholders at the annual general meeting on 12 May 2021. These amendments are mainly related to: (i) the operation objectives of the Company; (ii) powers to be exercised by shareholders' general meeting; (iii) definition of the controlling shareholders under the Articles of Association; and (iv) requirements of independent non-executive Directors. The amended and restated Articles of Association is available on the websites of the Company and the Stock Exchange.

Save as disclosed herein, the Company did not make any changes to its constitutional documents during the Reporting Period.

COMPETING INTERESTS

None of the Directors, Supervisors and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this report.

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Li Peng
Chairman

Hong Kong, 30 March 2022

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors for the Reporting Period to the Shareholders.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregated sales of the Group to the top five customers accounted for 33.57% (2020: 26.21%) of the total income of the Group, and the sales of the Group to the largest customer accounted for 13.31% (2020: 14.06%).

For the Reporting Period, the aggregated purchases of the Group from the top five suppliers accounted for 100.00% (2020: 46.95%) of the total purchases of the Group, and the purchases of the Group from the largest supplier accounted for 39.20% (2020: 23.56%).

During the Reporting Period, none of the Directors, their respective close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in any of the top five customers or suppliers of the Group.

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 30 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

The annual results highlights of the Group for the Reporting Period and the latest five financial years are set out on page 4 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period as at that date are set out in the consolidated financial statements on pages 99 to 192 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 7 of this annual report. A discussion on the key financial performance indicators of the Group for the Reporting Period is provided in the section headed "Management Discussion and Analysis" on pages 8 to 17 of this annual report. The review and discussion therein form part of this Report of the Directors.

REPORT OF THE DIRECTORS

INDUSTRY FACTORS

The continued market-oriented reform of the PRC financial industry, increasing customer demand for customized finance leasing products and services, and favorable government policies have brought important opportunities to the finance leasing industry. Leveraging the Group's experienced management, clear strategic planning, prudent risk management and internal control procedures, the Directors believe that the Group will be able to seize such opportunities and achieve sustainable business growth.

RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in this annual report and details of reserves distributable to the Shareholders are set out in note 31 to the consolidated financial statements. The Company's reserves available for distribution as at 31 December 2021 was RMB110.09 million.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in properties, plant and equipment of the Group for the Reporting Period are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

The H Shares were successfully listed on GEM of the Stock Exchange on 23 May 2017 (the "**Listing Date**"). The Company issued an aggregate of 89,840,000 H Shares by way of public offering. From the Listing Date to the date of this annual report, there was no change in the share capital of the Company.

DIVIDEND

The Board proposed the payment of the Final Dividend for the Reporting Period of RMB0.013 per ordinary share (tax inclusive) (2020: RMB0.003).

As at the date of this annual report, there is no arrangement that a Shareholder has waived or agreed to waive any dividends.

TAX RELIEF

The Directors are not aware of tax relief and exemption available to the Shareholders by reason of their holding in the Company's listed securities.

REPORT OF THE DIRECTORS

KEY PERFORMANCE INDICATORS

Customer satisfaction

The Directors regard customer satisfaction as one of most important factors for success. During the Reporting Period, the Group did not have any case of customer complaint on record.

Return on equity

The Group's return on equity is calculated based on the net profit for the relevant period divided by the total equity as at the end of the relevant period and multiplied by 100%. The Group's return on equity was approximately 3.14% during the Reporting Period.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under Rule 11.23 of the GEM Listing Rules during the Reporting Period and up to the date of this annual report.

CONTRACTS OF SIGNIFICANCE

During the Reporting Period, save as disclosed herein, there had been no contracts of significance (i) in relation to the Group's business between the Company or any of its subsidiaries and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries; or (ii) for provision of services to the Group by a Controlling Shareholder or any or its subsidiaries, subsisted during the Reporting Period or as at 31 December 2021.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The following table sets forth the information relating to the Directors and the Supervisors during the Reporting Period and up to the date of this annual report.

Name	Age	Position	Appointment date
Mr. Li Peng (李鵬)	58	Executive Director and chairman of the Board	28 September 2012
Mr. Weng Jianxing (翁建興)	44	Executive Director and risk management director	9 June 2016
Ms. Gong Xiaoting (貢曉婷)	39	Executive Director and the head of finance department	12 May 2021
Mr. Peng Qilei (彭期磊)	58	Non-executive Director	12 May 2021
Ms. Liu Jing (劉敬)	52	Non-executive Director	12 May 2021
Ms. Tong Fangyan (仝芳妍)	38	Non-executive Director	8 October 2021
Mr. Fung Che Wai Anthony (馮志偉)	53	Independent non-executive Director	21 April 2017
Mr. Hon Leung (韓亮)	39	Independent non-executive Director	21 April 2017
Mr. Liu Shengwen (劉升文)	45	Independent non-executive Director	21 April 2017
Mr. Zhu Xiaodong (朱曉東)	49	Chairman of the Supervisory Committee	11 August 2015
Mr. Liu Bing (劉兵)	49	Employee representative Supervisor	7 July 2015
Mr. Sun Luran (孫路然)	29	Shareholders representative Supervisor	12 May 2021

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 18 to 24 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and the Supervisors has entered into a service contract with the Company for a term of three years (for those appointed or re-elected at the Company's annual general meeting held on 12 May 2021) or for a term commencing from the date of the general meeting at which his/her appointment was approved to the expiration of the term of the third session of the Board/Supervisory committee (as the case may be).

The Company has not entered into/executed any service contract/letter of appointment with any Director or Supervisor which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors, the Supervisors or their respective associated entities had a material interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group subsisted as at 31 December 2021 or entered into with the Company or any of its controlling companies or subsidiaries during the Reporting Period.

During the Reporting Period, there was no subsisting arrangement to which the Group is a party and whose objects are to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and the management of the Group is currently in force and was in force throughout the Reporting Period. Throughout the Reporting Period, the Company has maintained appropriate directors and management liability insurance cover providing indemnity against liabilities, including liabilities in respect of legal actions against the Directors and the management of the Group arising from or incidental to the execution of duties of his/her offices.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed, during the Reporting Period.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors, the Supervisors and the five highest paid individuals for the Reporting Period are set out in note 13 to the consolidated financial statements. The remuneration of the Directors and the Supervisors is subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. No Directors, or any of their respective associates, were involved in deciding his/her own remuneration for the Reporting Period.

Emoluments paid or payable to members of the senior management of the Company were within the following band:

	Number of individual(s)	
	2021	2020
Nil to HK$1,000,000	4	3

No Director, Supervisor and senior management had waived or had agreed to waive any emoluments during the Reporting Period.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors of the Company had any interest in any business which was in competition or was likely to compete, directly or indirectly with the business of the Company and its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Group.

BANK BORROWINGS AND THE MATURITY PROFILE OF BORROWINGS

Details of bank borrowings of the Group as at 31 December 2021 are set out in note 25 to the consolidated financial statements.

MAJOR RISKS AND UNCERTAINTIES

The Group is exposed to various risks in its ordinary course of business, including credit risk, liquidity risk, interest risk, operational risk and legal and compliance risk. The Group carries out risk management with the support for sustainable development of the business and enhancement of the Group's value as the strategic objectives, and has established and continually improved a comprehensive risk management system.

Credit risk management

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

REPORT OF THE DIRECTORS

The following table illustrates the key processes of the Group's credit risk management system:

Risk management measures for different stages of a project	Responsible department(s)	Functions
Initiation and Internal Review	• Business Department	• Conduct preliminary assessment
Due Diligence	• Business Department • Risk Management Department	• Conduct due diligence into background and creditworthiness of customer, guarantor, equipment supplier and/or underlying debtor • Submit proposal to higher level committee
Project Assessment and Preparation	• Risk & Investment Committee • Project Approval Committee	• Risk & Investment Committee principally reviews and approves: – finance lease projects exceeding RMB10 million and/or involving new industry – factoring projects exceeding RMB5 million and/or involving new industry • Project Approval Committee principally reviews and approves: – finance lease projects not exceeding RMB10 million and not involving new industry – factoring projects not exceeding RMB5 million and not involving new industry
Signing and Closing	• Business Department • Asset Management Department • Finance Department	• Draft, review and execute contracts • Prepare and submit project documents (if bank finance required) • Complete registration of assets and collateral • Purchase insurance

REPORT OF THE DIRECTORS

Risk management measures for different stages of a project	Responsible department(s)	Functions
Portfolio Management and Monitoring	• Business Department • Risk Management Department • Asset Management Department • Finance Department	• Monitor customer's payments, financial condition and operations • Conduct monthly assessments of assets
Risk Management and Enforcement Measures	• Business Department • Risk Management Department • Asset Management Department	• Enforce collateral • Extend repayment schedule • Transfer non-performing assets

The Group develops and implements certain risk management procedures in order to mitigate its losses. After on-site visits to see a customer with overdue payments, the Group usually tries to negotiate with the customer to revise repayment terms, including an extension or adjustment of the customer's repayment schedule, or a return and disposal of the Group's leased equipment. If the Group is not able to agree with its customer on the revised repayment terms, it would typically undertake other risk management procedures. The Group's business department, asset management department and risk management department are primarily responsible for implementing these procedures. Such procedures include conducting on-site inspections, sending letters of demand for payment after the scheduled repayment date, initiating legal proceedings against its customers and their guarantors to recover payments, and taking enforcement actions in respect of the collateral and/or guarantee, including:

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

In addition to the above risk management procedures, the Group may also consider transferring its non-performing assets to third parties such as asset management companies and private equity firms in the PRC.

REPORT OF THE DIRECTORS

Liquidity risk management

Liquidity risk refers to the risk of the Group not having sufficient funds to meet its liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of its financial assets and liabilities.

The Group's finance department is primarily responsible for managing liquidity risk. To address liquidity risk, the Group has undertaken the following measures:

- striving to match the duration of each of its finance leasing and factoring projects (generally not more than three years) with bank borrowings that are on similar duration terms of two or three years; and

- managing its cash flow through a monthly operating budget that is monitored and adjusted (if necessary) on a weekly basis. Towards the end of each month, every department is required to submit to the Group's finance department a capital expenditure forecast for the next month. Taking into account the monthly reports prepared by its asset management department in respect of the payment collections from its customers and/or the underlying debtors, the Group's finance department will prepare a monthly operating budget to provide for the anticipated expenditures (including funding for new projects) required by each department.

In addition, the Group's finance department will monitor on a weekly basis whether its actual capital expenditures deviate from the relevant forecast, and if necessary, adjust the budget for the following week(s). This allows the Group to identify and address any potential shortfall in future cash flow by:

- analysing whether the Group will be able to obtain borrowings at a cost that matches its finance leasing and factoring projects; and

- monitoring financial indicators relevant to the assessment of its liquidity risk, as part of the monthly income statement, balance sheet, and statement of cash flows prepared by its finance department.

Interest rate risk management

Interest rate risk refers to the risk of changes in market interest rates which is primarily relevant to the Group's interest-bearing bank borrowing and accounts receivable.

The Group's finance department is primarily responsible for managing interest rate risk. To better manage its interest rate risk, the Group has undertaken the following measures:

- tracking interest rate fluctuations regularly; and

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

REPORT OF THE DIRECTORS

Operational risk management

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

The Group has adopted the following measures to monitor and control its operational risk and to strengthen its operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of the Board, senior management, as well as the various committees and departments;

- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;

- formulating and adopting standard commercial contracts for its business operations;

- maintaining a business department responsible for developing, examining and supervising the workflow of various business operations and providing necessary training to business development personnel;

- maintaining an internal control department responsible for monitoring and evaluating the other departments' compliance with the management policies and internal control procedures, thereby improving its corporate governance. For example, the internal control department will circulate to all departments a weekly report which identifies any items of non-compliance within the organisation and monitor the implementation of remedial measures to address such non-compliance. This regular monitoring process by a separate and independent department mitigates the risk of a non-compliance being unnoticed and/or unaddressed by the other departments that are collectively responsible for the Group's business operations, thereby reducing its operational risk;

- maintaining and continuously improving its operational procedures and internal control system, and utilising its information technology system to monitor and control the performance of each procedure;

- providing training and ethical education to its employees in order to enhance their awareness and ethics against fraud and other crimes; and

- reviewing, assessing and adjusting its established internal control procedures and risk management systems on an annual basis in response to the development of its business process as well as the regulatory requirement.

REPORT OF THE DIRECTORS

Legal and compliance risk management

The Group's business is subject to regulation and supervision by national, provincial and local government authorities with regard to its finance lease and factoring operations, capital structure, pricing and provisioning policy, which may be subject to changes. If the Group fails to comply with these laws and regulations, the Group may be required to rectify the non-compliances and may incur penalties and losses.

During the Reporting Period, the Group has not been challenged for any material non-compliance incidents by any governmental authorities. In addition, it has strengthened its legal and compliance risk management by:

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the Reporting Period and up to the date of this annual report, the Company has not been a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Group's operations or financial condition.

REPORT OF THE DIRECTORS

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, to the best of the information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

CONTINUING CONNECTED TRANSACTIONS

The following sets forth the ongoing non-exempt continuing connected transactions of the Group conducted during the Reporting Period:

Provision of accounts receivable factoring services to Shanghai Kuaijie and Shanghai KYMS

On 9 August 2019, Fullin Factoring, a wholly-owned subsidiary of the Company, entered into (i) the with-recourse commercial factoring agreement ("**Factoring Agreement II**") with Shanghai Kuaijie Enterprise Management Co., Ltd (上海快頡企業管理有限公司) ("**Shanghai Kuaijie**"), pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai Kuaijie with a factoring facility principal amount of RMB15,000,000 for a term of two years commencing from 24 October 2019, being the date on which the Factoring Agreement II was approved by the independent Shareholders; and (ii) the with-recourse commercial factoring agreement ("**Factoring Agreement III**") with Shanghai KYMS Enterprise Development Co., Ltd. (上海快易名商雲科技股份有限公司), ("**Shanghai KYMS**") formerly known as Shanghai Kuaiyi Mingshang Enterprise Development Co., Ltd. (上海快易名商企業發展股份有限公司), pursuant to which Fullin Factoring agreed to provide accounts receivable factoring services for Shanghai KYMS with a factoring facility principal amount of RMB10,000,000 for a term of two years commencing from 24 October 2019, being the date on which the Factoring Agreement III was approved by the independent Shareholders.

Shanghai Kuaijie is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi Tiandi Enterprise Management Co., Ltd. (北京快易天地企業管理有限公司) ("**Beijing Kuaiyi Tiandi**"), a company established in the PRC with limited liability which is owned as to 49% by Beijing Dayuan Tiandi, a 56%-owned subsidiary of Dayuan Tiandi, and as to 51% by Shanghai KYMS.

Shanghai KYMS is a company established in the PRC with limited liability, and is listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC (Stock code: 831423). It was a joint venture partner of Beijing Kuaiyi Tiandi, a company established in the PRC with limited liability which was owned as to 49% by Beijing Dayuan Tiandi, a 56%-owned subsidiary of Dayuan Tiandi, and as to 51% by Shanghai KYMS. Each of Shanghai Kuaijie and Shanghai KYMS was an associate of Dayuan Tiandi, a substantial shareholder of the Company who was interested in 80,000,000 Domestic Shares, representing approximately 22.26% of the total number of issued shares of the Company as at the date of the Factoring Agreement II and Factoring Agreement III, and was therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Factoring Agreement II and Factoring Agreement III constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. In April 2021, upon Beijing Dayuan Tiandi's disposal of all 49% interest in Beijing Kuaiyi Tiandi to a third party, each of Shanghai Kuaijie and Shanghai KYMS ceased to be a connected person of the Company.

REPORT OF THE DIRECTORS

As disclosed in the announcement of the Company dated 9 August 2019 and the circular of the Company dated 9 September 2019, the annual caps for the Factoring Agreement II and Factoring Agreement III, having taken into account the aggregate of the maximum outstanding balance of the factoring principal amount, payable by Shanghai Kuaijie and Shanghai KYMS to Fullin Factoring under the Factoring Agreement II and Factoring Agreement III, for each of the three years ending 31 December 2021 are RMB25.0 million, RMB25.0 million, RMB14.0 million, respectively. The corresponding maximum factoring interest amount and management fee amount (all exclusive of VAT) payable by Shanghai Kuaijie and Shanghai KYMS to Fullin Factoring under the Factoring Agreement II and Factoring Agreement III on an aggregated basis for each of the three years ending 31 December 2021 are RMB732,000, RMB2,744,000, RMB1,041,000, respectively.

The above continuing connected transactions are also disclosed in "Related Party Transactions" in note 32 to the consolidated financial statements in this annual report. The Directors consider that the related party transactions conducted with Shanshan as disclosed in "Related Party Transactions" in note 32 to the consolidated financial statements in this annual report do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

Save as disclosed in this annual report, the Company did not enter into any other related party transaction, connected transaction or continuing connected transaction during the Reporting Period which is required to be disclosed in this annual report.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

REPORT OF THE DIRECTORS

Pursuant to Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditor of the Company to carry out procedures in relation to the related party transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. Based on the work performed, the auditor of the Company has provided a letter to the Board confirming that nothing has come to its attention that causes it to believe that the above continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iii) were not, in all material respects, in accordance with the pricing policies of the Group; and

(iv) have exceeded the cap.

The Directors confirm that the Company has complied with all applicable requirements under Chapter 20 of the GEM Listing Rules for the Reporting Period regarding the above continuing connected transactions.

DONATION

No charitable and other donations were made by the Group during the Reporting Period (2020: RMB nil).

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

As a financial service provider, the Group is not involved in business that will generate air, water and land pollutions which are regulated by the applicable laws and regulations in the PRC. No hazardous waste was produced by the Group in its course of business for the Reporting Period. The Group complies with the relevant laws and regulations in environmental protection and impact on the environment has always been a major focus of the Group.

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing the business prudently and executing management decisions with due care and attention.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the Group's relationship with its employees, customers and suppliers are set out in the "Environmental, Social and Governance Report" in this annual report.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

PENSION SCHEME

According to applicable PRC laws and regulations, the Company has made contributions to the social security fund for its employees based on a certain percentage of salaries standard. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the Report Period are set out in note 38 to the consolidated financial statements. Save as disclosed in this annual report, there were no other significant events that might effect the Group after the Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the consolidated annual results of the Group for the Reporting Period.

AUDITOR

The financial statements have been audited by BDO Limited who has remained as the Company's auditor for each of the preceding three years and will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

REPORT OF THE DIRECTORS

DISCLOSURE OF INTEREST

Interests and short positions held by substantial Shareholders and other persons in the shares and underlying shares of the Company

As at 31 December 2021, to the best knowledge of the Directors, the following persons or corporations (other than the Directors, Supervisors or chief executives of the Company) had the following interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of shares	Nature of interest	Number of shares interested in the relevant class of shares of the Company [(1)]	Percentage (approximate)	Number of shares interested in the total share capital of the Company [(1)]	Percentage (approximate)
Dayuan Tiandi [(2)]	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua ("**Mr. Zhao**") [(2)]	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang ("**Mr. Gong**") [(2)]	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Shenzhen Zhonglian Financial Holding Investment Development Co., Ltd. ("**Shenzhen Zhonglian**") [(3)(4)]	Unlisted foreign shares	Beneficial owner	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Beneficial owner	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%
Hainan Mujing Chengyuan Technology Partnership (Limited Partnership) ("**Mujing Chengyuan**") [(3)(4)]	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares interested in the relevant class of shares of the Company (1)	Percentage (approximate)	Number of shares interested in the total share capital of the Company (1)	Percentage (approximate)
Mr. Gong Changjiu ("**Mr. Gong Changjiu**") (3) (4)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%
Mr. Xu Dongsheng ("**Mr. Xu**") (3) (4)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	5,000,000 (L)	4.17%	5,000,000 (L)	1.39%
Beijing Youke Yu Technology Development Co., Ltd. ("**Youke Yu**") (5)	Unlisted foreign shares	Beneficial owner	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Xinmao Licheng Trading Co., Ltd. ("**Xinmao Licheng**") (5)	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Guo Lidong ("**Mr. Guo**") (5)	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Yan Wenge ("**Mr. Yan**") (5)	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Hengsheng Rongcheng Trading Co., Ltd. (6)	Unlisted foreign shares	Beneficial owner	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
Ms. Wu Yue (6)	Unlisted foreign shares	Interest of a controlled corporation	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
KKC Capital Limited	H shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares interested in the relevant class of shares of the Company (1)	Percentage (approximate)	Number of shares interested in the total share capital of the Company (1)	Percentage (approximate)
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio	H shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
A Plus Capital Management Limited	H shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
Tiger Capital Fund SPC – Tiger Global SP	H shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

Notes:

(1) The letter "L" denotes the person's long position in the shares. As at 31 December 2021, the Company issued a total of 359,340,000 shares, including 120,000,000 domestic shares, 89,840,000 H shares and 149,500,000 unlisted foreign shares.

(2) Dayuan Tiandi is owned as to 55% by Mr. Zhao and 45% by Mr. Gong. By virtue of the SFO, Mr. Zhao and Mr. Gong are deemed to be interested in the shares held by Dayuan Tiandi.

(3) On 16 June 2021, Hong Kong Shanshan Resources Company Limited ("**Shanshan HK**") entered into a sale and purchase agreement with Shenzhen Zhonglian, pursuant to which Shanshan HK agreed to sell and Shenzhen Zhonglian agreed to purchase a total of 70,445,200 unlisted foreign shares of the Company (the "**Disposal**"). Completion of the Disposal took place on 22 July 2021.

(4) Shenzhen ZhongLian is owned as to 90% by Mujing Chengyuan and 10% by Mr. Gong Changjiu. Mujing Chengyuan is in turn owned as to 51% by Mr. Gong Changjiu and 49% by Mr. Xu. By virtue of the SFO, Mr. Gong Changjiu and Mr. Xu are deemed to be interested in the shares held by Shenzhen ZhongLian.

(5) Youke Yu is owned as to 20% by Mr. Guo and 80% by Xinmao Licheng. Xinmao Licheng is in turn owned as to 50% by Mr. Guo and 50% by Mr. Yan. By virtue of the SFO, Xinmao Licheng, Mr. Guo and Mr. Yan are deemed to be interested in the shares held by Youke Yu.

(6) Beijing Hengsheng Rongcheng Trading Co., Ltd. is wholly owned by Ms. Wu Yue. By virtue of the SFO, Ms. Wu Yue is deemed to be interested in the shares held by Beijing Hengsheng Rongcheng Trading Co., Ltd..

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

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person or corporation which had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

Interests and short positions held by Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2021, none of the Directors, Supervisors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Li Peng
Chairman of the Board

Shenzhen, the PRC, 30 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

In 2021, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, the Articles of Association, the rules of procedures of the Supervisory Committee and the GEM Listing Rules.

The Supervisory Committee comprises three members, namely Mr. Zhu Xiaodong. Mr. Liu Bing and Mr. Sun Luran. The chairman of the Supervisory Committee is Mr. Zhu Xiaodong.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee held four meetings in total. Such meetings were held in compliance with the requirements of relevant regulations and the Articles of Association and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

- Review of the annual report of 2020, the first quarterly report, the interim report and the third quarterly report for 2021.

- Review of the financial budget plan for 2020, the resolution on profit and dividend distribution plan for 2020 and the financial budget proposal for 2021.

- Considering and approving the work report of the Supervisory Committee for 2020.

As at 31 December 2021, members of the Supervisory Committee attended and observed all general meetings and Board meetings in accordance with laws and monitored the matters considered at the Board meetings and general meetings and the compliance with laws and regulations of procedures. During the Reporting Period, there was no incident where the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2021 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2021 and the financial performance and cash flow in 2021.

REPORT OF THE SUPERVISORY COMMITTEE

2. Connected Transactions and Continuing Connected Transaction

The Supervisory Committee reviewed the connected transactions and continuing connected transactions between the Company and its connected persons during the Reporting Period and considered that the related party transactions were in compliance with relevant requirements of the Stock Exchange and applicable laws and the considerations for the connected transactions and continuing connected transactions were reasonable, open and fair and no matters that were detrimental to the interests of the Company or its Shareholders as a whole were identified.

3. Internal control

During the Reporting Period, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the Company's internal control were continuously improved. The Supervisory Committee was not aware of any material defect in the Company's internal control system or its implementation.

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to all such reports and resolutions submitted by the Board to the general meetings of the Shareholders for consideration and approval in 2021. The Supervisory Committee supervised the implementation of the resolutions of the general meetings of the Shareholders and considered that the Board had prudently implemented the resolutions of the general meetings of the Shareholders.

5. Operations in Compliance with Laws and Regulations

During the Reporting Period, the operations of the Company were normal and reasonable and were in compliance with applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of non-compliance with laws, regulations or the Articles of Association nor of behaviors that were detrimental to the interests of the Company and the Shareholders as a whole committed by the Directors and the senior management of the Company in discharging their duties.

FY Financial (Shenzhen) Co., Ltd.
Supervisory Committee
30 March 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREPARATION BASIS AND SCOPE

In accordance with the disclosures requirements under the "comply or explain" provisions as to the Appendix 20 "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") of the GEM Listing Rules, this environmental, social and governance report (the "**ESG Report**") covers the overall performance of the Group in environmental, social and governance (the "**ESG**") aspects during the period from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"). The ESG Guide index is set out in the Appendix of this ESG Report, which is presented in accordance with the "comply or explain" provisions of the GEM Listing Rules during the Reporting Period.

The Group highly values the importance of making appropriate disclosure of corporate information to all the stakeholders and believes that high level of transparency is the key to building confidence with the stakeholders. Therefore, in this ESG Report, it highlighted the sustainable achievements in the following areas to give the stakeholders a better understanding of what the Group has done to protect the environment and promote social harmony:

ESG Aspects	Issues
Environmental	– Emissions
	– Use of resources
	– The environment and natural resources
	– Climate change
Employment and labour practices	– Employment
	– Health and safety
	– Development and training
	– Labour standards
Operating practices	– Supply chain management
	– Product responsibility
	– Anti-corruption
Community	– Community investment

This ESG Report was approved by the Board on 30 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GOVERNANCE STRUCTURE

Board's oversight of ESG issues

The Board is committed to the long-term sustainability of the environment and communities in which the Group operates and continually enhances investment value to stakeholders through proper and effective internal control systems and ESG risk management measures throughout its operations. The Board considers ESG-related risks and opportunities as part of the Group's overall strategic formulation, and the significant ESG impact caused by daily operations and businesses. The Board maintains oversight of and approves the identification and assessment of ESG issues and confirms that to the best of its knowledge, this ESG Report addresses material topics related to the operations of the Group and fairly presents its ESG performance and impacts.

The Board has appointed the Group's management to supervise the ESG-related issues and work of the Group. The Group's management is responsible for monitoring and reviewing the compliance with local laws and regulations with regards to ESG-related issues. The management is also responsible for establishment of sustainability strategies, policies and measures to implement sustainability initiatives, provide sustainability reporting and prepare the ESG Report.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on the ESG issues, materiality assessment is conducted annually. The Group ensures various platforms and channels of communication are used to reach, listen and respond to its key stakeholders. Through communication with the stakeholders, the Group is able to understand their expectations and concerns. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the impacts of the business decisions.

The Group has evaluated the materiality for each of the ESG aspects through the following steps: (i) identification of ESG issues by the Group; (ii) key ESG areas prioritisation with stakeholder engagement; and (iii) validation and determining material ESG issues based on the results of communication with the stakeholders.

Engaging these steps can enhance the understanding of the degree of importance of the Group's stakeholders to each material ESG issue, and can enable the Group to plan the sustainable development direction more comprehensively in the future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Board reviews progress made against ESG-related goals and targets

The progress of implementation and the performance of the goals and targets should be closely reviewed from time to time. Modification may be needed if the progress falls short of expectation or change of business operations. Effective communication about the goals and targets with key stakeholders such as employees, customers and suppliers are essential.

Setting strategic goals enable the Group to develop a realistic roadmap and focus on results of achieving the visions.

Setting targets requires the Group's management to carefully examine the attainability of the targets which should be weighed against the Group's ambitions and goals.

REPORTING PRINCIPLES

The ESG Report is based on the following four reporting principles:

Materiality: Stakeholder engagement and materiality assessment were conducted to identify material ESG issues, and to ensure that these issues are addressed in the report.

Quantitative: Data presented in this ESG Report have been collected prudently. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: Both positive and negative sides of the performance have been presented in a transparent manner.

Consistency: Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

REPORTING BOUNDARIES

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC. The Group's major operations are located in Shenzhen and Beijing. Therefore, the disclosures in this ESG Report focus on the policies and performance of offices located in Shenzhen and Beijing during the Reporting Period in relation to the four environmental aspects and eight social aspects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INFORMATION AND FEEDBACK

For details about the financial performance and corporate governance of the Group during the Reporting Period, please visit the website of the Company at http://www.fyleasing.com/ and this ESG Report.

The Group highly values your opinions. Should you have any suggestion or feedback regarding the ESG Report and the performance of the Group on sustainability, please contact the Group by e-mail at jgzx@fyleasing.com.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement plays a core role in the sustainability of the Group. The Group fully appreciates the needs to build both online and offline communication channels and to provide stakeholders with timely reports on strategic planning and performance of the Group in order to establish a continuing communication mechanism with the stakeholders. In addition, the Group consults the stakeholders on their recommendations and propositions to ensure its business practices which can meet the expectations of the stakeholders.

The stakeholders include the governments and regulatory bodies, investors, media, suppliers, customers, employees and the community. The Group discusses with the stakeholders through various channels for their expectations and relevant feedback of the Group as below:

Stakeholders	Expectations and requirements	Communication and feedback
The Stock Exchange	– Compliance with the GEM Listing Rules	– Meetings, training, seminars and programmes
	– Publishing of announcements in a timely and accurate manner	– Website updates and announcements
Governments	– Compliance with laws and regulations	– Interactions and visits, government inspections and compliance operation
	– Prevention of tax evasion	– Tax returns and other information
Investors	– Corporate governance	– Optimising risk management and internal control
	– Business strategies	– Organisation and participation of conferences, visits and interviews and general meetings
	– Performance and investment returns	– Provision of financial reports or business updates for investors, press and analysts
Media	– Corporate governance	– Posting of newsletters on the company website
	– Environmental protection	– Adopting green office practices
	– Human rights	– Providing equal employment opportunities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Expectations and requirements	Communication and feedback
Suppliers	– Payment schedule	– Fulfilment of payment obligation
	– Supply stability	– Site investigation
	– Integrity cooperation	– Establishing a responsible supply chain
Customers	– Product/service quality	– Monitoring customers’ satisfaction through enquiry and survey
	– Fair and reasonable pricing	– Price analysis and pricing strategy
	– Value of service	– Providing after-sale services
Employees	– Rights and benefits and employee salaries	– Competitive salary and employee benefits
	– Training and development	– Organisation of team activities trainings and interviews
	– Working hours and working environment	– Establishing an open environment for discussion
	– Protection for the labour force and work safety	– Issuance of staff manual and internal memorandum on health and safety
Community	– Environmental protection	– Energy conservation practices
	– Employment opportunities	– Providing equal opportunities for all employees
	– Community development and social welfare	– Organisation of community activities and employees volunteering activities, sponsorship and donations

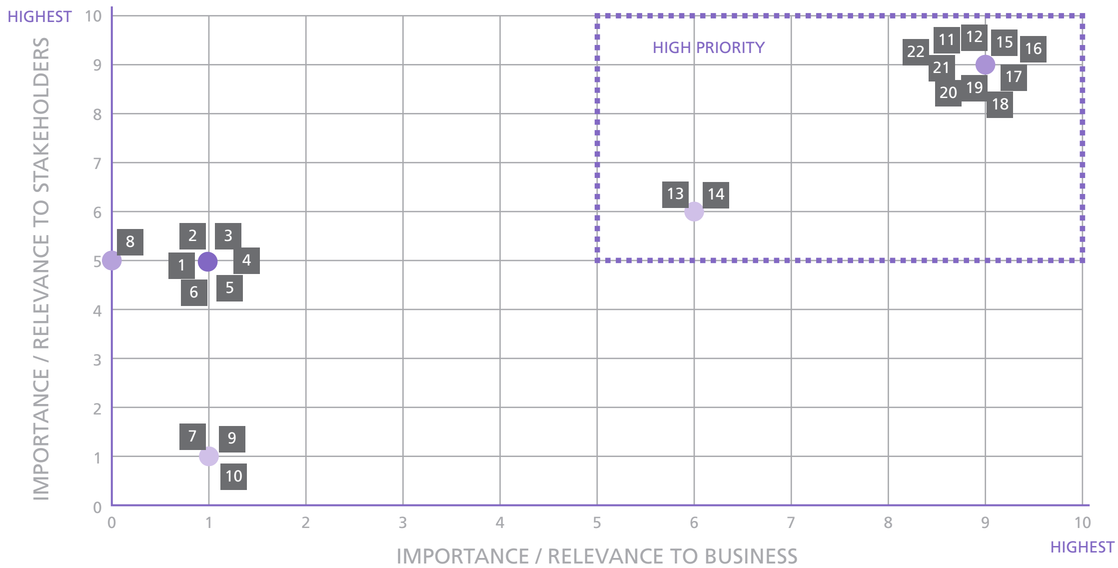
MATERIALITY ASSESSMENT

The Group conducted a comprehensive materiality assessment on a number of ESG issues in order to identify which areas have the most significant operating, environmental and social impacts towards the Group’s business and are of the utmost concerned by stakeholders.

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the corporate business characteristics, the Group has identified and confirmed 22 issues, which cover environmental, training and development, occupational health and safety, employee welfare, supply chain management, corporate governance, customer privacy, anti-corruption and community investments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality matrix of ESG issues



Environmental	Social	Operating practices
1. Greenhouse gas emissions	9. Local community engagement	17. Economic value generated
2. Energy consumption	10. Community investment	18. Corporate governance
3. Water consumption	11. Occupational health and safety	19. Anti-corruption
4. Air emission	12. Labour standards in supply chain	20. Supply chain management
5. Waste generation	13. Training and development	21. Customer satisfaction
6. Compliance with laws and regulations relating to environmental protection	14. Employee welfare	22. Customer privacy
7. Impact of climate change	15. Inclusion and equal opportunities	
8. Use of chemicals	16. Talent attraction and retention	

This was approved by Board on 30 March 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

The operation of the Group has limited impact on the environment. The main business of the Group is the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC, which are not the main causes of environmental pollution. Moreover, the business of the Group does not involve industrial activities and thus the total amount of emission, resources used and waste produced is low.

However, the Group understands that it is the responsibility of all corporations to ensure that emission of pollutants and consumption of resources are minimized and carbon footprints are produced. For such purpose, the Group has identified the following goals to reduce consumption of resources:

Goals

– Reducing air emissions and greenhouse gases ("**GHG**") emissions;

– Reducing consumption of resources; and

– Reducing production of waste.

EMISSIONS

During the Reporting Period, air emissions include nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**") which were generated through the use of the Group's vehicle.

There were mainly three types of GHG emissions of the Group during the Reporting Period, including but not limited to direct emission from a vehicle, indirect emission from electricity consumed in offices and indirect emissions from aircrafts when the employees went for business trips.

During the Reporting Period, the Group had a vehicle which travelled 32,864 km (2020: 26,242 km) was mainly for short distance business trip. The Group encourages all employees taking public transport to customers' companies and using the vehicle only in case of emergency. Meanwhile, the vehicle was monitored and inspected by the system on a regular basis to keep them in the best conditions in order to increase fuel consumption efficiency and ensure road safety.

The employees took aircrafts for business trips for 113 times (2020: 387 times) and the total carbon dioxide equivalent generated from air travel amounted to 21,323.10 kg (2020: 47,503.40 kg). The purposes of business trip are business development, risk auditing and asset management, etc. The Group has adopted a policy of emission reduction including, (i) the employees only took aircrafts for business trips when necessary; and (ii) the Group arranges phone or video conference instead of face-to-face meetings to reduce emissions from transportation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Due to the coronavirus (the "**COVID-19**") pandemic and certain prevention and control policies such as travel restrictions imposed by the PRC government, the Group decreased business travel, and so the greenhouse gases emissions indirectly resulted from air travel decreased significantly.

For electricity consuming in offices, the Group encourages its employees to set the air conditioners at the most comfortable temperature and switch air conditioners and lights off when they are not necessary so as to reduce emission of greenhouse gases. The Group has also put notices at eye-catching areas in the offices to remind its employees about energy saving in the ordinary course of business.

Air emissions from the use of motor vehicles (Note 1)

Environmental Indicators	Unit	2021	2020
Nitrogen oxides (NOx) emissions	Kg	29.08	23.22
Sulphur oxides (SO_2) emissions	Kg	0.09	0.10
Particulate matter (PM) emissions	Kg	2.79	2.23

Reduction target of air emissions intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
Air emissions intensity			
NOx	Reduce 5% by Year 2026	2021	In progress
SO_2	Reduce 5% by Year 2026	2021	In progress
PM	Reduce 5% by Year 2026	2021	In progress

GHG emissions from operation

Environmental Indicators	Unit	2021	2020
Direct emissions (Scope 1)	Kg CO_{2e}	17,152	18,753
Indirect emissions (Scope 2) (Note 2, 3)	Kg CO_{2e}	21,939	58,736
Other indirect emissions (Scope 3) (Note 3)	Kg CO_{2e}	22,980	51,231
Total GHG emissions	Kg CO_{2e}	62,071	128,720
GHG emissions intensity	Kg CO_{2e} per employee	1,940	2,682

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions can be classified into three scopes:

Scope 1: Direct GHG emissions from operations that are owned or controlled by the Group including fuel consumption of motor vehicle(s) controlled by the Group.

Scope 2: Indirect GHG emissions resulting from electricity purchased from power suppliers.

Scope 3: Other indirect GHG emissions resulting from paper waste disposed at landfills, water consumed and employees' business trips by aircraft of the Group.

Note 1: The emission factors used to calculate the NOx, SO_2 and PM are sourced from: (i) the Hong Kong Environmental Protection Department's ("**EPD**") EMFAC-HK Vehicle Emission Calculation model; and (ii) the United States Environmental Protection Agency's Vehicle Emission Modeling Software – MOBILE6.1. The assumption of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30kmh, and include running exhaust emissions only.

Note 2: The national emission factors for Shenzhen, Beijing and Tianjin are sourced from The Ministry of Ecology and Environmental of PRC (2019).

Note 3: The figures in 2020 covered the emissions from offices in Beijing, Shenzhen and Tianjin. As Tianjin office has suspended its operations since March 2021, the emissions in 2021 has been reduced significantly.

Reduction target of GHG emissions intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
GHG emission intensity (Scope 1)	Reduce 5% by Year 2026	2021	In progress
GHG emission intensity (Scope 2)	Reduce 5% by Year 2026	2021	In progress
GHG emission intensity (Scope 3)	Reduce 5% by Year 2026	2021	In progress

Production of waste

Solid waste of the Group is mainly produced in the daily operation of the offices, including daily paper consumption, office paper waste and food waste made by employees. The paper consumption in this year was 337 kg in total (2020: 700 kg). All domestic waste is collected and disposed by the property management office of the office building on a regular basis. No hazardous wastes are generated in the operations of the offices.

The Group is committed to reducing waste production. The Group encourages the employees to recycle stationery and reduce waste with an aim to prevent waste production at the initial stage. Moreover, the Group has adopted a digital operation method to centralize all documents and regularly educates its employees regarding environmental protection. For example, the employees are required to print double-sided and reuse paper printed single-sided in order to save and reduce the use of paper and other natural resources. Permission is also required for printing in the offices for statistical and adjustment purposes on the use of paper, so that resource utilization can be enhanced.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has established appropriate measures for disposal of computers and related products such as printers and toner cartridges. Unused digital products are transferred or reused while obsolete accessories and used toner cartridges are collected by third party companies for recycling.

In case it is necessary to dispose of an item, the Group encourages its employees to collect and classify the waste before disposing so as to reduce the negative impact on the environment.

Waste produced from operation

Environmental Indicators	Unit	2021	2020
Hazardous waste produced (Note 1)	Kg	N/A	N/A
Hazardous waste produced intensity	Kg per employee	N/A	N/A
Non-hazardous waste produced (Note 2)	Kg	N/A	N/A
Non-hazardous waste produced intensity	Kg per employee	N/A	N/A

Note 1: No hazardous waste is produced by the Group. Therefore, such disclosure is not applicable to the Group.

Note 2: Non-hazardous waste produced by the Group is minimal. Therefore, no relevant figure is quantified.

The targets of the Group are to maintain zero generation of hazardous waste and minimal generation of non-hazardous waste in the next five years.

During the Reporting Period, the Group was in compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and other applicable rules and regulations related to environmental protection and did not identify any violations that were related to environmental protection and other applicable laws and regulations that has significant impact relating to air and greenhouse gases emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group.

In addition, no significant fines or non-monetary sanctions for non-compliance with relevant laws and regulations had been reported during the Reporting Period.

USE OF RESOURCES

The Group has always been promoting sustainability by assuming the social responsibility of environmental protection in the course of business and, on the premise of minimizing the impact on the environment, creating unlimited possibilities with limited resources. In this regard, the Group attaches great importance to employees' environmental awareness, and thus has put forth a number of initiatives with the goal of "green office", educating employees about how to fully utilize the resources and save energy. The Group aims at maximizing the efficiency of our resources in commercial aspect while eliminating waste and contributing to the society in social aspect.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group also embraces its responsibility in environmental protection throughout the course of office administration and daily operation. Apart from adhering to the principle of recycling and reducing use, the Group is committed to creating green offices to minimize the impact on the environment. In light of the nature of the business of the Group, the consumption of energy, electricity, water and other natural resources in the offices are limited. Electricity consumed by the Group for the Reporting Period is mainly due to daily consumption in the offices.

Below are measures taken by the Group in saving energy:

- Adopting double-sided printing and promoting use of recycled paper;
- Switching off unused lights and electric appliances to reduce energy consumption;
- Keeping the room temperature at a comfortable level and switching off the air conditioners when not necessary;
- Switching off the air conditioners and lights after office hour and when they are not in use;
- Requiring employees to turn their computers and other devices to the sleep mode or switch them off when leaving the office (including when visiting clients and having lunch); and
- Conducting regular maintenance for office equipment (such as air conditioners, computers, lights, refrigerators and paper shredders) to ensure normal operation.

Signs for reminding employees to save energy

As per the business nature of the Group, water consumption is very limited, mainly daily water consumption by the employees in offices during business hours. The domestic sewage of the Group does not include hazardous wastewater and is directly discharged to the municipal sewer pipeline. In order to reduce wastewater, employees of the Group are encouraged to save water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of resources from operation

Environmental Indicators	Unit	2021	2020
Energy Consumption			
Units of purchased electricity consumed (Note 1)	kWh	25,598	67,699
Units of purchased petrol consumed (Note 2)	kWh	62,490	67,116
Total energy consumption	kWh	88,088	134,815
Total energy consumption intensity	kWh per employee	2,753	2,809
Water Consumption (Note 1)			
Water consumption	M^3	54	826
Water consumption intensity	M^3 per employee	2	18
Packaging Material Consumption (Note 3)			
Packaging material used for finished products	Kg	N/A	N/A
Packaging material used intensity	Kg per piece	N/A	N/A

Note 1: The figures in 2020 covered the electricity consumption from offices in Beijing, Shenzhen and Tianjin. As Tianjin office has suspended operations since March 2021, the electricity consumption in 2021 has been reduced significantly.

Note 2: The conversion factor used to convert data in other units to kWh is sourced from the Energy Statistics Manual issued by the International Energy Agency.

Note 3: As the Group is principally engaged in provision of finance lease services, factoring and advisory services, customer referral services and the supply of medical equipment in the PRC, no packaging material was consumed during the Reporting Period.

Reduction target of energy and water consumption intensity

Environmental Indicators	Reduction Target	Baseline Year	Status
Energy consumption intensity	Reduce 5% by Year 2026	2021	In progress
Water consumption intensity	Reduce 5% by Year 2026	2021	In progress

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ENVIRONMENT AND NATURAL RESOURCES

The Group aims to conserve natural resources and is concerned with the environmental impact of its activities. The Group encourages all employees to participate in different kinds of recycling activities and minimize the use of natural resources. During the Reporting Period, there is no significant impact on the environment and natural resources from the operations of the Group.

CLIMATE CHANGE

Awareness over climate change continues to grow and is one of the most discussed topics among companies. The Group is no exception, having increasing concerns over the potential impact from climate change on the Group's business and operation. The Group regularly reviews global and local government policies, regulatory updates and market trends to identify potential climate-related risks which may have impact on the Group's business operation.

In accordance to the reporting framework developed by the Task Force on Climate-related Financial Disclosures, there are two major categories of climate-related risks, physical and transition risks. The Group will immediately develop a response plan such as changing the business strategy and modifying the development plan in order to reduce the negative impacts of such climate-related risks.

The Group will continuously incorporate sustainable practices in its business operations and prepare and maintain sufficient resources for managing identified climate-related risks and studying the potential remediation measures.

During the Reporting Period, there is no climate-related risk, including physical and transitional risks, which have significant impact to the Group.

EMPLOYMENT AND LABOUR PRACTICES

The Group regards its employees as the cornerstone of its development, and an integral part to its sustainable development. Therefore, the Group attaches high importance to the training and welfare of its employees, and is committed to providing a working environment of job satisfaction for its employees. The Group puts much efforts to ensure the statutory rights of its employees be protected and its strict compliance with a series of labour law of the PRC, including the PRC Labour Contract Law, the PRC Labour Law, the Social Insurance Law of the PRC and Regulations on the Labor Management of the Foreign-Funded Enterprises. The Group provides competitive remuneration and good promotion opportunities to facilitate career development of its employees. The Group has a goal to attract, train, motivate and retain suitable talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment

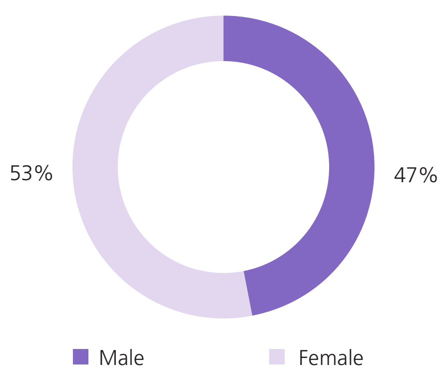
The human resources policies of the Group are developed in accordance with the applicable labour laws and regulations of the PRC, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), to protect its employees' interests. The asset management department of the Group has also engaged qualified lawyers in the PRC to closely monitor updates of the laws and relevant regulatory requirements to ensure its compliance with relevant regulations.

The Group has formulated its staff manual and management system of human resources according to relevant labour regulations, covering human resources policies and working conditions, such as recruitment and promotion procedures, trainings, performance appraisals, remuneration and benefits, working hours, vacations and other leaves (marriage leave, compassionate leave, maternity leave).

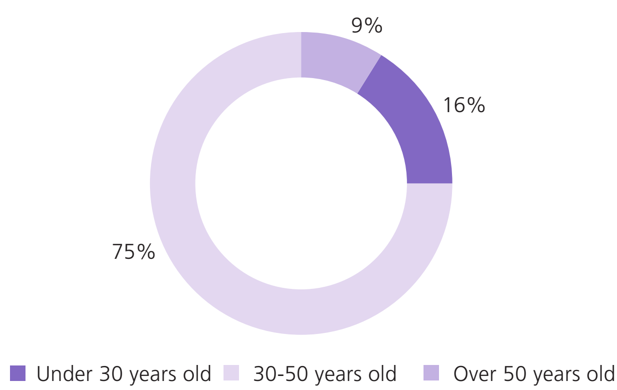
Employee structure

As at 31 December 2021, the Group had a total of 32 employees (2020: 48 employees) and all of them are full-time employees located in the PRC. The distribution of employees by different categories is as follows:

By gender



By age



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the employee turnover rate of the Group by categories is as follows:

Employee turnover rate (Note 1)	2021
By gender	
Male	42%
Female	30%
By age group	
Under 30 years old	55%
30-50 years old	28%
Over 50 years old	33%
By geographical region	
Mainland China	35%
Hong Kong	–

Note 1: The employee turnover rate is calculated based on the number of employees who left employment in each category during the Reporting Period divided by the average number of employees in that category.

To Attract and Retain Talents

The Group upholds the operational philosophy of optimally using all available talents and resources and sticks to the employment principle based on the abilities and morality of an employee. Main criteria for employment includes morality, knowledge, abilities and track record of employees so as to make best use of and retain talents.

The Group provides employees with fair and equitable remuneration and benefits based on employees' personal track record, experience and market benchmark. The Group has formulated a set of performance appraisal mechanism, in which appropriate remuneration adjustment is made annually based on job performance of an employee to reduce turnover rate. To effectively evaluate and optimise the career life for its employees, the Group also assists employees to analyse their personal career development direction according to their own conditions and guide them to complete the employees' career development planning form to establish goals and strategies of their career life.

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Benefits and Vacation

To enhance the sense of belonging of employees, foster good working morale and strengthen cohesion within the Group, the Group provides various benefits to employees, including contribution to five types of insurance and one pension fund, and subsidies on lunch, birthday, transportation and communication and others.

In addition to formulation of reasonable working and rest time according to local employment laws and system, provision of statutory holidays and paid annual leave, the Group also provides additional holidays such as marriage leave, maternity leave and bereavement leave.

Furthermore, the Group organises a series of employee activities annually, helping employees to integrate into the corporate culture of the Group. Meanwhile, relevant training programs are also designed at the request of various departments so as to enhance employees' job skills and promote their job satisfaction.

Inclusion

The Group is determined to creating a fair and equitable working environment where all employees will be treated equally and no discrimination or harassment in workplace will be tolerated. No differential remuneration package is provided based on employees' gender, age, marriage status, race, religious belief or other factors irrelevant to the job. If an employee thinks he/she is being treated unfairly, he/she can report and reflect to human resources department. Various departments will also implement internal control. The Group will issue a written warning to any employee in violation of the regulations of the Group if any unfair case is found or verified. Such employee will be subject to termination of employment if the violation is serious.

During the Reporting Period, the Group strictly complied with labour laws of the PRC and relevant regulations, and had not been involved in any event of breach of laws and regulations relating to employment relationship, compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare which had a significant impact on the Group.

No non-compliance with law that resulted in significant fines or sanctions had been reported during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

Due to the nature of the business of the Group, the employees mainly work in the office and their possibilities of sustaining work injuries are limited. No serious work injury incident occurred in the Group during the Reporting Period. As for laws and regulations of the PRC in relation to the occupational health standards and safe production, the Group did not record any major non-compliance during the reporting year. The Group maintains work-related injury insurance for all employees in accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) as well as other laws and regulations of the PRC.

In addition, to foster and maintain a good, comfortable and healthy working environment, the Group has implemented a series of policies:

- to maintain obstruction-free emergency access in workplace;
- to provide a workplace with adequate illumination and moderate temperature;
- to restrict smoking in workplace; and
- to conduct safety inspection and training of fire prevention regularly.

Fire safety equipment in the workplace

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In an effort to prevent and control the spread of the COVID-19 pandemic, the Group has been closely monitoring and following the policies and advice from local government and strictly implementing numerous protective and control measures at its workplaces to safeguard the hygiene and safety of the employees, including (i) establishing a contingency working team, reporting to general manager, to coordinate the purchasing of protective equipment and cleaning supplies; organise disinfection programme at workplace; and introduce policies and guidelines for epidemic prevention and control and maintain communication with employees timely; (ii) establishing mandatory body temperature screening procedures; (iii) providing disposable protective face masks and hand sanitizer for its employees; (iv) conducting regular cleaning and disinfection of offices; and (v) providing new COVID-19 training on safety production for all staff.

The Group is not aware of any material non-compliance with the Law of the PRC on Work Safety, Regulations on Work-Related Injury Insurance of the PRC and other applicable laws and regulations that has a significant impact on the Group relating to provide a safety working environment and protecting employees from occupational hazards during the Reporting Period.

No non-compliance with law that resulted in significant fines or sanctions had been reported during the Reporting Period.

There were no work-related fatalities reported for the years ended 31 December 2019, 2020 and 2021. During the Reporting Period, no loss days due to work injury were noted.

DEVELOPMENT AND TRAINING

The Group always puts great emphasis on talent training and believes that employees' skills and experience are essential to promoting the long-term development of the Group. Continuing education is one of the effective ways to maintain employees' competitiveness in the industry. Therefore, the Group annually formulates annual training plan with an aim to enhance employees' performance through effective training, counselling and in-service development. The trainings cover various topics, including but is not limited to, factoring business knowledge, asset management, business process, qualification training for secretaries of the board of listed issuers and internal control training for new employees.

The Group organises vocational guidance activities at irregular intervals and make full disclosure of information relating to career development in the Group through various channels. The Group identifies suitable positions and career paths for employees through an analysis of employees and the Group's positions in order to increase employees' competitiveness. The administration and human resources department formulates various action and measures required to achieve employees' career goals based on their own conditions, such as participation in various human resources development and training activities of the Group, development of their networking, participation in courses outside working hours and acquisition of relevant knowledge and skills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the percentage of employees trained and the average training hours completed per employee are shown as follows:

	2021
Percentage of employees trained (Note 1)	78%
Percentage of employees trained by gender (Note 2)	
Male	40%
Female	60%
Percentage of employees trained by employee category (Note 2)	
Senior management	12%
Middle management	28%
General staff	60%
Average training hours per employee (Note 3)	1.8 hours
Average training hours completed per employee by gender (Note 4)	
Male	2.2 hours
Female	1.5 hours
Average training hours completed per employee by employee category (Note 4)	
Senior management	7.3 hours
Middle management	3.1 hours
General staff	1.5 hours

Note 1: Percentage of employees trained is calculated by dividing the number of employees who took part in training by the number of employees.

Note 2: The percentage of employees trained by category is calculated based on the number of employees trained in each category during the Reporting Period divided by the number of employees who took part in training.

Note 3: Average training hours per employee is calculated by dividing the total number of training hours by the number of employees.

Note 4: Average training hours by categories is calculated by dividing the total number of training hours for such category by the number of employees in the corresponding category.

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LABOUR STANDARDS

The Group prohibits the use of forced labour and child labour, and lists important notes of recruitment process in policies and procedure of human and administration department. The Group has stringent requirements for shortlisting employees. In recruiting candidates for positions below management level, the Group requests job applicants to provide identity card, academic certificate of their highest level, professional certificates and employment separation certificate regarding their former jobs for verifying their identity.

If the management of the Group finds illegal employment of child labour or forced labour within the Group, their employment contract will be terminated immediately by the Group. After inquiry into the cause and finding out persons held responsible, the Group will impose appropriate punishment on those in violation of the regulations. No employment of forced labour and child labour occurred in the Group during the Reporting Period.

The Group endeavours to protect human rights, creating a workplace of respect, sincerity and fairness for its employees and customers, and comply with all relevant laws and regulations in relation to employment and labour that have a significant impact on the Group including the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). The Group did not record any major non-compliance during the Reporting Period. No non-compliance with law that resulted in significant fines or sanctions had been reported in 2021.

OPERATIONAL PRACTICES

Supply Chain Management

The objectives of the Group are to purchase goods from creditworthy suppliers and ensure such suppliers provide good products that meet the standards of the Group.

The Group believes that establishment of sustainable supply chain and facilitation of interaction and communication with suppliers and bankers will improve the confidence of customers and other stakeholders on the Group. Therefore, the Group only maintains long-term cooperative relationship with medical suppliers and bankers of good creditworthiness, sound reputation, quality product and service, good track record and eligibility. The Group's purchasing scope mainly covers medical equipment, office supplies and accessories etc. Currently, the Group's main suppliers are mostly from the PRC. Focusing on establishing close cooperation relationship with its suppliers, the Group has been working together with its suppliers to reduce their impact on the environment from their production processes while ensuring their provision of quality products and services.

Although most of its medical suppliers are designated by customers, the Group has formulated written policies and guidance to monitor suppliers' performance regularly in order to track their service quality more effectively. The Group will cease cooperation with suppliers who fail to meet its service quality standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the number of suppliers by geographical region is as follows:

	Number of suppliers
Region	
Mainland China	18
Hong Kong	7

Product Responsibility

The objectives of the Group are to protect customers' information and keep customers free of worries.

The Directors and management team have extensive experience in the financing services industry. The Group provides customised financial leasing services tailored for customers who are in need of relevant equipment in their business operations. In addition, the Group provides its customers with financing and accounts receivable management as well as consulting services. The Group has an experienced and stable management team that allows it to deliver reliable and efficient services to its customers.

In addition, the Group places strong emphasis on the confidentiality of customers' information. Although there are no existing laws and regulations governing privacy in the PRC, in order to gain confidence from customers and lower the risk of revealing confidential information by the employees, the Group has established an internal documentation management system, including administrative measures for information privacy and implementing rules for information privacy management, which specifies the right procedures for the employees to handle the information of the Company and the customers, so as to enhance the regulatory mechanism and prevent the leakage of customers' information.

- employees must have a sense of confidentiality and definitely do not ask, say or look at anything that they should not;
- talking about or transmitting the Company's confidential matters in public places, via public telephones or public network platforms is strictly prohibited;
- without the consent of the meeting organizers, employees may not take photos, record or reproduce the confidential matters, and strict punishment will be imposed once discovered;
- may not throw away drafts, first drafts or outdated documents at discretion. If there is no retention value, such documents should be destroyed in a timely manner. Such documents should be treated as final drafts and be handled according to confidentiality principles and requirements; and
- documents containing sensitive information of the customers or the Company should be kept by specified personnel of each department. Unless necessary, such information should not be transmitted to other departments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Moreover, the Group requires employees to sign confidentiality agreements, which strictly require employees to follow the rules regarding confidentiality management and the relevant system established by the Group to perform their confidentiality responsibilities, so as to protect the interest of the Group. Confidentiality agreements specify the content and scope that the staff should keep confidential, their confidentiality responsibilities and liabilities for breach of contract. If employees disclose or reproduce any trade secrets of the Group without the Group's consent and authorization, the Company will dismiss the employees and reserve the right to institute legal proceedings.

The Group recognises the importance of intellectual property protection, therefore it is dedicated to protecting and enforcing the Group's own intellectual property rights as well as the intellectual property rights of third party. The Group will ensure terms in relation to intellectual property rights are included in the cooperation agreements between the Group and its business partners.

Maintaining high quality standard for products and services are the most important for sustainable development of the Group. The Group ensures that the medical equipment provided for its customers are in compliance with the Article 6 of the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) of the PRC, the medical device products shall satisfy the national mandatory standards for medical devices, and, if no such standard is available, meet the mandatory industrial standards for medical devices, and registered or filed product technical specification. The instruction manual and labelling of the medical equipment are in compliance with the Provision on the Management of Instructions and Labels of Medical Devices (《醫療器械説明書和標簽管理規定》) of the PRC. After-sales and maintenance services are provided for the Group's customers in order to boost their lifetime value.

During the Reporting Period, there were no recalls of products due to safety and health reasons and no complaints related to product and service were received.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

The objectives of the Group are to promote anti-corruption, anti-money laundering and no bribery, extortion and fraud.

All the businesses operated by the Group are in compliance with the national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering, including the Prevention of Bribery Ordinance (《防止賄賂條例》) of the Hong Kong Legislation. The Group requires its employees to strictly follow the requirements of the aforesaid ordinances, in order to prevent behaviours such as bribery, extortion, fraud and money laundering.

Besides, the Group has established internal administrative rules regarding anti-corruption, and implemented a comprehensive mechanism to strictly monitor each employee, ensuring no employee has any behaviour that violates the discipline, rules and laws, such as behaviour for gaining personal interests, bribery, extortion, fraud and money laundering. The Group is determined in combating corruption and contribute in building a corruption-free society. If there are any suspicious cases, employees can report to the management in absolute secrecy, and such cases will be passed to the relevant department for investigation.

With a view to protecting the Group's interest, the Group requires employees to strictly follow the code of conduct listed in the employee manual. The Group also provides relevant training to employees regularly with an aim to enhance their awareness on anti-corruption, money laundering and other illegal acts.

During the Reporting Period, the Group organised a two-hour training session of a topic named Anti-corruption regulations and ethics promotion (公司反腐敗相關規定及道德宣導) for its Directors, senior management and the relevant staff.

The Group is not aware of any material non-compliance with the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Reporting Period. There was no legal action against the Group or the employees of the Group for corruption.

COMMUNITY

Community Investment

The Group deeply understands the importance of giving back to the society, as such, the Group uses the best endeavors in providing help. The Group encourages employees to participate in community activities, and to contribute to the sustainability of a harmonious society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Key performance indicators (KPIs)	Disclosures	Remarks
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Environmental	
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
A1.1 The types of emissions and respective emissions data	Emissions	
A1.2 Greenhouse gas emissions in total	Emissions	
A1.3 Total hazardous waste produced	Not applicable	During the course of business, the Company did not produce any chemical or medical-related hazardous waste.
A1.4 Total non-hazardous waste produced	Not applicable	During the course of business, the Company did not produce a large amount of non-hazardous waste. Therefore, it did not include the data of non-hazardous waste in the calculation.
A1.5 Description of emission targets set and steps taken to achieve them	Emissions	
A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them	Waste production	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure		
Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental	
A2.1 Direct and/or indirect energy consumption by type	Use of resources	
A2.2 Water consumption in total and intensity	Use of resources	
A2.3 Description of energy use efficiency targets set and steps taken to achieve them	Use of resources	
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets set and steps taken to achieve them	Use of resources	
A2.5 Total packaging material used for finished products	Use of resources	The Group's business operation does not involve production process, no packaging material is consumed by the Group.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Environmental	
Policies on minimising the issuer's significant impact on the environment and natural resources.		
A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Use of resources	
Aspect A4: Climate Change		
General Disclosure		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental	
A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Climate change	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)		Disclosures	Remarks
B. Social			
Aspect B1: Employment			
General Disclosure		Employment	
Information on:			
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	
B1.2	Employee turnover rate by gender, age group and geographical region	Employment	
Aspect B2: Health and Safety			
General Disclosure		Health and safety	
Information on:			
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Health and safety	
B2.2	Lost days due to work injury	Health and safety	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and safety	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B3: Development and Training		
General Disclosure	Development and training	
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B3.1 The percentage of employees trained by gender and categorization of employees	Development and training	
B3.2 The average training hours completed per employee by gender and categorization of employees	Development and training	
Aspect B4: Labor Standards		
General Disclosure	Labor standards	
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		
B4.1 Description of measures to review employment practices to avoid child and forced labor	Labor standards	
B4.2 Description of steps taken to eliminate such practices when discovered	Labor standards	
Aspect B5: Supply Chain Management		
General Disclosure	Supply chain management	
Policies on managing environmental and social risks of the supply chain.		
B5.1 Number of suppliers by geographical region	Supply chain management	
B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply chain management	
B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Supply chain management	
B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Supply chain management	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)		Disclosures	Remarks
B. Social			
Aspect B6: Product Responsibility			
General Disclosure		Product Responsibility	
Information on:			
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Product Responsibility	
B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility	
B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	
B6.4	Description of quality assurance process and recall procedures	Product Responsibility	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B7: Anti-corruption		
General Disclosure	Anti-corruption	
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
B.7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Anti-corruption	During the Reporting Period, there was no legal action against the Group and the employees of the Group for corruption.
B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	
B7.3 Description of anti-corruption training provided to directors and staff	Anti-corruption	
Aspect B8: Community Investment		
General Disclosure	Community investment	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
B8.1 Focus areas of contribution		
B8.2 Resources contributed to the focus area		

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FY FINANCIAL (SHENZHEN) CO., LTD.
(incorporated in the PRC with limited liability)

OPINION

We have audited the consolidated financial statements of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 99 to 192, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622).

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Allowance for impairment of accounts receivable

The Group's accounts receivable consists of lease receivables, receivables from sale-leaseback transactions, factoring receivables and trade receivables, and accounted for 62.4% of the Group's total assets. The assessment of impairment of accounts receivable under the expected loss model is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group assesses the expected credit loss ("**ECL**") according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The disclosures of the allowance for impairment of accounts receivable and the related credit risk are included in notes 18 and 38(a) to the consolidated financial statements.

Our response:

We performed reviews of accounts receivable on a sample basis, considering the credit profiles of the debtors, guarantors and the collaterals, as well as external evidence and factors, to assess whether management's assessment of ECL was appropriate. We adopted a risk-based sampling approach in our tests of the allowances for impairment of accounts receivable. We selected samples of performing loans considering size and risk factors for our tests on the reasonableness of grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the debtors, based on historical experience, value of collaterals (if any) and observable external data, etc. We also evaluated the parameters and assumptions used in the measurement of ECL such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

We also assessed the appropriateness of the Group's disclosure of the allowance for impairment of accounts receivables and the related credit risk in note 38(a) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ho Yee Man
Practising Certificate Number P07395

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB	2020 RMB
Revenue	7	43,095,195	103,844,218
Direct costs		(8,739,341)	(34,671,006)
Gross profit		34,355,854	69,173,212
Other income and gains	7	16,275,946	5,209,111
Operating expenses		(6,272,594)	(13,148,592)
Administrative expenses		(16,773,331)	(33,568,155)
Impairment loss on accounts receivable, net		(7,349,276)	(21,756,911)
Profit before income tax	8	20,236,599	5,908,665
Income tax expense	9	(5,305,253)	(2,669,710)
Profit for the year		14,931,346	3,238,955
Other comprehensive income, after tax			
Item that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income ("FVTOCI")		2,469,078	—
Total comprehensive income for the year		17,400,424	3,238,955
Earnings per share:	10		
Basic and Diluted		0.04	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**636,589**	822,336
Intangible asset	15	**2,136,126**	2,389,497
Accounts receivable	18	**57,208,422**	241,275,776
Right-of-use assets	27	**975,148**	4,688,100
Financial asset at fair value through profit or loss ("**FVTPL**")	16	**5,000,000**	—
Financial assets at FVTOCI	17	**28,003,936**	—
Deferred tax assets	19	**14,441,962**	12,604,642
		108,402,183	261,780,351
Current assets			
Accounts receivable	18	**288,196,025**	445,088,241
Bills receivable		**—**	537,406
Prepayments, deposits and other receivables	20	**8,208,399**	4,627,346
Restricted bank deposits	21	**—**	60,000,000
Cash and cash equivalents	22	**148,349,236**	142,021,437
		444,753,660	652,274,430
Current liabilities			
Trade and other payables	23	**40,527,211**	52,364,641
Receipts in advance	24	**47,367**	481,997
Lease liabilities	27	**1,000,563**	1,959,622
Tax payables		**10,128,758**	3,455,464
Interest-bearing bank borrowings	25	**—**	315,694,658
		51,703,899	373,956,382
Net current assets		**393,049,761**	278,318,048
Total assets less current liabilities		**501,451,944**	540,098,399

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
Non-current liabilities			
Receipts in advance	24	1,021,500	1,184,565
Deposits from finance lease customers and suppliers	26	24,823,951	70,957,529
Lease liabilities	27	19,520	2,746,584
Interest-bearing bank borrowings	25	—	5,945,152
		25,864,971	80,833,830
Net assets		475,586,973	459,264,569
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	359,340,000	359,340,000
Reserves	31	116,246,973	99,924,569
Total equity		475,586,973	459,264,569

On behalf of directors

LI Peng李鵬

WENG Jianxing翁建興

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB	Merger reserve (note 1) RMB (note 31(a))	Capital reserve (note 1) RMB (note 31(b))	Statutory reserve (note 1) RMB (note 31(c))	Financial assets at FVTOCI reserve (note 1) RMB	Retained profits (note 1) RMB	Total equity RMB
At 1 January 2020	359,340,000	1,582,035	31,096,839	12,946,999	—	69,026,741	473,992,614
Profit and total comprehensive income for the year	—	—	—	—	—	3,238,955	3,238,955
Appropriation to statutory reserve	—	—	—	391,879	—	(391,879)	—
Dividends paid	—	—	—	—	—	(17,967,000)	(17,967,000)
At 31 December 2020 and 1 January 2021	359,340,000	1,582,035	31,096,839	13,338,878	—	53,906,817	459,264,569
Profit for the year	—	—	—	—	—	14,931,346	14,931,346
Other comprehensive income							
– Changes in fair value of financial assets at FVTOCI	—	—	—	—	2,469,078	—	2,469,078
Total comprehensive income	—	—	—	—	2,469,078	14,931,346	17,400,424
Appropriation to statutory reserve	—	—	—	4,455,878	—	(4,455,878)	—
Dividends paid (Note 11)	—	—	—	—	—	(1,078,020)	(1,078,020)
At 31 December 2021	359,340,000	1,582,035	31,096,839	17,794,756	2,469,078	63,304,265	475,586,973

Note 1: The aggregate balance of these reserves amounting of RMB116,246,973 (2020: RMB99,924,569) is included as reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB	2020 RMB
Cash flows from operating activities			
Profit before income tax		**20,236,599**	5,908,665
Adjustments for:			
Bank interest income		**(2,045,326)**	(2,475,198)
Depreciation of plant and equipment		**167,879**	581,846
Depreciation of right-of-use assets		**1,001,050**	1,209,354
Amortisation of intangible asset		**253,371**	144,210
Change in fair value in derivative financial liabilities		**—**	4,692,248
Provision of Impairment losses on accounts receivable, net		**7,349,276**	21,756,911
Interest expenses on lease liabilities		**73,494**	97,833
Gain on modification of leases		**(17,552)**	(105,379)
(Gain)/loss on disposal of plant and equipment		**(44,601)**	42,561
Operating profits before working capital changes		**26,974,190**	31,853,051
Decrease in accounts receivable		**333,610,294**	520,515,157
(Increase)/decrease in prepayments, deposits and other receivables		**(3,581,053)**	35,394,857
Decrease/(increase) in bills receivable		**537,406**	(437,406)
Decrease in trade and other payable		**(11,837,430)**	(47,391,964)
Decrease in receipts in advance		**(597,695)**	(3,512,096)
Decrease in deposits from finance lease customers and suppliers (non-current portion)		**(46,133,578)**	(30,087,851)
Cash generated from operating activities		**298,972,134**	506,333,748
Interest received		**2,045,326**	1,304,868
Income tax paid		**(469,279)**	(7,425,630)
Net cash generated from operating activities		**300,548,181**	500,212,986
Cash flows from investing activities			
Purchase of intangible asset		**—**	(2,533,707)
Proceeds from disposal of plant and equipment		**62,469**	171,645
Purchase of financial assets at FVTPL		**(5,000,000)**	—
Purchase of financial assets of FVTOCI		**(25,534,858)**	—
Release of restricted bank deposits		**60,000,000**	43,026,683
Net cash generated from investing activities		**29,527,611**	40,664,621

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB	2020 RMB
Cash flows from financing activities			
Decrease in amount due to an intermediate holding company		—	(193,000,000)
Interest elements of lease rentals paid		**(73,494)**	(97,833)
Capital elements of lease rentals paid		**(956,669)**	(1,198,416)
Payment of settlement for derivative financial liabilities		—	(10,460,390)
Proceeds from interest-bearing bank borrowings		—	352,753,931
Repayment of interest-bearing bank borrowings		**(321,639,810)**	(549,313,580)
Dividends paid		**(1,078,020)**	(17,967,000)
Net cash used in financing activities	33	**(323,747,993)**	(419,283,288)
Net increase in cash and cash equivalents		**6,327,799**	121,594,319
Cash and cash equivalents at beginning of year		**142,021,437**	20,427,118
Cash and cash equivalents at end of year		**148,349,236**	142,021,437
Analysis of cash and cash equivalents:			
Cash at banks and in hand		**148,349,236**	142,021,437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

The Company was established in the People Republic of China (the "**PRC**") on 7 December 2012 as a sino-foreign equity joint venture enterprise and was converted to a joint stock company with limited liability under the Company Law of the PRC on 10 September 2015. The address of its registered office is Room 201, Block A, No.1, Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, the PRC and the principal place of business is Room 1603, Cheung Kei Building, No.128 Xinzhou 11th Street, Futian District, Shenzhen, Guangdong, the PRC. The Company's overseas-listed foreign shares ("**H Shares**") have been listed on GEM of the Stock Exchange since 23 May 2017.

The Company is principally engaged in the provision of financial leasing, advisory services and customer referral services. The Group is principally engaged in the provision of financial leasing, factoring and advisory services, and customer referral services and the supply of medical equipment and investment holding in the PRC.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2021

The HKICPA has issued a number of new or amended HKFRSs that are effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

- Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS16 COVID-19-Related Rent Concessions beyond 30 June 2021. None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 *(Continued)*

In the annual financial statements for the year ended 31 December 2020, the Group had elected not to utilise the practical expedient for all rent concessions that meet the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

On 9 April 2021, the HKICPA issued another amendment to HKFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted including the financial statements not authorised for issue at 9 April 2021. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment Covid-19-Related Rent Concessions. The Group has early adopted the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The Group did not have any rent concessions with lessors that affected payments originally due after 30 June 2021 but before 30 June 2022. There is no material impact on the Group's results and financial position for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018-2020[2]	
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The directors of the Company do not anticipate that the application of the above amendments in the future will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("**the Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office equipment	5 years
Motor vehicles	8 years
Leasehold improvements	Over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(m)).

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Computer software	10 years

(ii) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(m)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing

The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing *(Continued)*

The Group as a lessee *(Continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing *(Continued)*

The Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Sale and leaseback transactions

As a buyer-lessor, the Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transactions constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds within the scope of HKFRS 9.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustment to fair value are considered as additional lease payments from lessees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on finance lease receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for finance lease receivables and trade receivables that result from transactions that are within the scope of HKFRS 15 using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics. The Group estimated the expected loss rate based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For factoring receivables, receivables from sale and leaseback transactions and other financial assets measured at amortised cost, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group considers financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial asset are credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

e) the financial asset is more than 180 days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Write-off policy

The gross carrying amount of a financial asset, lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, deposits from finance lease customers and suppliers and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition *(Continued)*

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Revenue for the provision of advisory services and commission income is recognised at point in time when the services have been rendered. Invoices for these service income are issued on completion of services.

(ii) For revenue from sales of goods and provision of maintenance services provided by the Group, the Group entered one contract with the customer and performed two performance obligations. The total transaction price receivable from customers is allocated among all identified performance obligations of the Group in proportion to their respective standalone selling price. The Group determined that revenue from sales of goods is recognised at point in time when the goods are delivered to and have been accepted. For the performance obligation related to the maintenance services, revenue will be recognised over time as those services are provided. If there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognise a contract asset.

(iii) Other income

Interest income, which mainly includes sale and leaseback income, factoring income and bank interest income, is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition *(Continued)*

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(h) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and are subject to an insignificant risks of change in value.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising from investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profits nor the accounting profits. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Income taxes *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(l) Employee benefits

(i) Retirement benefit costs

The employees of the Group which operates in PRC are required to participate in a central pension scheme operated by the local municipal government. This Group is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its plant and equipment, intangible asset and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Given Covid-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in the consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

Provision for impairment loss for accounts receivable

Management estimates the amount of loss allowance for ECL on accounts receivable based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degrees of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

- Classification between finance leasing and operating leasing as a lessor

  Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expenses recognition by the lessee, with the asset remaining recognised by the lessor).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

Provision for impairment loss for accounts receivable *(Continued)*

- Classification between finance leasing and operating leasing as a lessor *(Continued)*

  Situations that would normally lead to a lease being classified as finance lease including the following:

  (a) The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;

  (b) The lessee has the option to purchase the underlying asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;

  (c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;

  (d) At the inception of the lease, the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset;

  (e) The underlying assets are of a specialised nature such that only the lessee can use them without major modification being made.

Fair value measurement of financial assets

The financial assets are the debt instrument and equity instruments. The fair values of financial assets that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include income approaches, market approaches and option pricing models. The Group uses market-observable data to the extent it is available. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques.

The Group measures a number of items at fair value:

- Financial assets at FVTPL of RMB5,000,000 (note 16)

- Financial assets at FVTOCI of RMB 28,003,936 and change in financial assets at FVTOCI of RMB 2,469,078 (note 17)

For these instruments, a sensitivity analysis is presented in note 37 in respect of reasonably possible changes to the valuation assumptions. For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- The financial and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) advisory services; (e) customer referral; and (f) investment holding.

- The trading operation business comprises primarily import and domestic trade of medical equipment, as well as the provision of maintenance services primarily within the medical equipment industry.

	Financial and advisory business		Trading operation business		Total	
	2021	2020	2021	2020	2021	2020
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue from external customers	38,169,218	86,335,947	4,925,977	17,508,271	43,095,195	103,844,218
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	38,169,218	86,335,947	4,925,977	17,508,271	43,095,195	103,844,218
Reportable segment profit/(loss)	20,949,529	6,477,393	(712,930)	(568,728)	20,236,599	5,908,665
Interest revenue	2,037,041	2,471,974	8,285	3,224	2,045,326	2,475,198
Interest expense	2,383,911	17,604,385	—	—	2,383,911	17,604,385
Depreciation of plant and equipment	164,382	577,093	3,497	4,753	167,879	581,846
Depreciation of right-of-use assets	927,135	995,769	73,915	213,585	1,001,050	1,209,354
Amortisation of intangible asset	253,371	144,210	—	—	253,371	144,210
Provision for Impairment loss on accounts receivable, net	7,194,208	21,833,968	155,068	(77,057)	7,349,276	21,756,911
Income tax expense/(credit)	5,344,020	2,034,005	(38,767)	635,705	5,305,253	2,669,710
Reportable segment assets	519,835,001	821,507,896	33,320,842	32,546,885	553,155,843	854,054,781
Reportable segment liabilities	74,783,093	453,452,555	2,785,777	1,337,657	77,568,870	454,790,212
Additions to non-current assets	33,003,936	4,953,053	—	2,012,655	33,003,936	6,965,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2021 RMB	2020 RMB
Profit before income tax expense		
Reportable segment profit	**20,236,599**	5,908,665
Consolidated profit before income tax expense	**20,236,599**	5,908,665

	2021 RMB	2020 RMB
Assets		
Reportable segment assets	**553,155,843**	854,054,781
Unallocated corporate assets	—	60,000,000
Consolidated total assets	**553,155,843**	914,054,781

	2021 RMB	2020 RMB
Liabilities		
Reportable segment liabilities	**77,568,870**	454,790,212
Consolidated total liabilities	**77,568,870**	454,790,212

(c) Geographic information

The Company incorporated in the PRC and the principal place of the Group's operations is the PRC. All the Group's revenue and non-current assets are principally attributable to the PRC.

(d) Information about major customers

No customer contributed revenue, representing 10% or more of the Group's revenue. (2020: Nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. REVENUE AND OTHER INCOME AND GAINS

An analysis of the revenue from the Group's principal activities (note 1) and other income and gains is as follows:

	2021 RMB	2020 RMB
Revenue		
Finance lease income	**8,039,211**	24,933,317
Income from sale-leaseback transactions	**22,734,124**	33,374,523
Factoring income	**7,005,437**	21,912,159
Advisory service fee income	**390,446**	6,115,948
Sale of goods	**4,925,977**	17,508,271
	43,095,195	103,844,218

	2021 RMB	2020 RMB
Other income and gains		
Bank interest income	**2,045,326**	2,475,198
Recharge of insurance premium (note (a))	**6,792**	138,691
Change in fair value of derivative financial liabilities	**—**	(4,692,248)
Government grant (note (b))	**—**	1,023,226
Gain/(loss) on disposal of plant and equipment	**44,601**	(42,561)
Maintenance service income	**3,165,094**	2,070,755
Imputed interest income on trade receivables	**807,144**	1,099,120
Penalty charged to customers	**1,272,201**	1,472,735
Others	**314,795**	1,558,816
Gain on modification of leases	**17,552**	105,379
Value added tax ("VAT") refund (note (c))	**7,117,657**	—
Write off of other payables	**1,484,784**	—
	16,275,946	5,209,111

Notes:

(a) The amount mainly represented the mark-up on recharge of insurance premium for the lease assets paid by the Group on behalf and recharged to its finance lease customers.

(b) The government grant was received from local government authorities of which the entitlement was under the discretion of the relevant authorities before year end. There is no unfulfilled conditions and other contingencies attaching to the government grant that has been recognised.

(c) VAT refund represented the entitlement approved by the local government authority and received during the year. There is no unfulfilled conditions and other contingencies attaching to the VAT refund that been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. REVENUE AND OTHER INCOME AND GAINS *(Continued)*

The disaggregation of the Group's revenue from contracts with customers, including advisory service fee income and trading income above, are as follows:

	2021 RMB	2020 RMB
Type of goods or services		
Provision of advisory services and customer referral	**390,446**	6,115,948
Sale of goods	**4,925,977**	17,508,271
Total revenue recognised from contract with customers	**5,316,423**	23,624,219
Customers by industries		
Transportation	**216,927**	636,249
Medical	**4,927,32**	17,545,864
Electronics	—	975,782
Fast-moving consumer goods	**172,168**	2,920,142
Alternative energy	—	59,027
Machining	—	1,482,521
Others	—	4,634
	5,316,423	23,624,219

The Group has adopted the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. PROFIT BEFORE INCOME TAX

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

	2021 RMB	2020 RMB
Auditors' remuneration (note i)	**696,180**	937,254
Cost of borrowing included in cost of sales:	**3,813,364**	18,665,572
– Interest expenses on interest-bearing bank borrowings (note iii)	**2,310,417**	15,547,570
– Interest expenses on lease liabilities (note iii)	**73,494**	97,833
– Bank charges and other expenses	**1,429,453**	1,061,187
– Interest charge on amount due to an intermediate holding company (note iii)	**—**	1,958,982
Cost of inventories sold	**4,925,977**	16,005,434
Depreciation of plant and equipment (note ii)	**167,879**	581,846
Depreciation of right-of-use assets (note ii)	**1,001,050**	1,209,354
Amortisation of intangible asset	**253,371**	144,210
Expenses relating to short-term leases (note v)	**229,016**	728,235
Impairment loss on accounts receivable, net (note iv)	**7,349,276**	21,756,911
Bad debt written off	**—**	391,607
Exchange losses/(gains)	**6,370**	(74,118)
(Gain)/loss on disposal of plant and equipment	**(44,601)**	42,561
Gain on modification of leases	**(17,552)**	(105,379)
Employee benefit expenses	**10,664,668**	24,502,471

(i) Auditors' remuneration for the year ended 31 December 2021 and 2020 was related to the fees for statutory audit services paid to the auditors of respective group companies.

(ii) Depreciation charges are recognised in the consolidated statement of comprehensive income as administrative expenses for the year.

(iii) These items represent the finance costs of the Group.

(iv) This item represents to expected credit loss on financial assets.

(v) This item represents the expenses relating to short-term leases under HKFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. INCOME TAX EXPENSE

	2021 RMB	2020 RMB
Income tax		
– Current year	**7,142,573**	6,050,462
– Under provision in prior years	**—**	616,440
Deferred tax (note 19)		
– Credited for the year	**(1,837,320)**	(3,997,192)
Income tax expense	**5,305,253**	2,669,710

The Company and its subsidiaries are incorporated in the PRC subject to the enterprise income tax in the PRC.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC in the current and prior year.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2021 RMB	2020 RMB
Profit before income tax	**20,236,599**	5,908,665
Tax on profit before income tax, calculated at 25%	**5,059,149**	1,477,166
Tax effect of expenses not deductible for tax purposes	**38,331**	58,539
Tax effect of tax losses and other temporary difference not recognised	**207,773**	517,565
Under provision in respect of prior years	**—**	616,440
Income tax expense	**5,305,253**	2,669,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the year of RMB14,931,346 (2020: RMB3,238,955) and the weighted average of 359,340,000 shares (2020: 359,340,000 shares) in issue during the year ended 31 December 2021.

Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the year ended 31 December 2021 and 2020, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

On 23 March 2021, the Board recommended to distribute the final dividend of RMB0.003 per share for the shareholders whose names appear on the register of members of H Shares on 26 May 2021. Total final dividend of RMB1,078,020 was paid to the shareholders on July 2021.

After the reporting date, the Board recommend the payment of the final dividend of RMB0.013 per share (tax inclusive) in respect of the year ended 31 December 2021 (2020: RMB0.003).The dividends have not been recognised as liabilities and there are no tax consequence.

12. EMPLOYEE BENEFIT EXPENSES

	2021 RMB	2020 RMB
Staff costs (including directors' emoluments (note 13(a))) comprise:		
Salaries, allowances and benefits in kind	**9,317,644**	20,314,813
Discretionary bonuses	**64,353**	2,630,611
Contributions to defined contribution retirement plan	**1,282,671**	1,557,047
	10,664,668	24,502,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of each of the directors for the year are set out below:

Year ended 31 December 2021

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	435,050	—	18,079	453,129
Mr. Weng Jianxing	—	486,610	—	18,079	504,689
Ms. Wang Ying *(note (i))*	—	173,040	—	7,533	180,573
Ms. Gong Xiaoting *(note (ii))*	—	481,250	—	—	481,250
Non-executive directors					
Mr. Zhuang Wei *(note (iii))*	—	—	—	—	—
Mr. Qian Cheng *(note (iv))*	—	—	—	—	—
Mr. Sun Luran *(note (v))*	—	—	—	—	—
Mr. Peng Qilei *(note (vi))*	—	—	—	—	—
Ms. Liu Jing *(note (vii))*	—	—	—	—	—
Ms. Tong Fangyan *(note (viii))*	—	—	—	—	—
Independent non-executive directors					
Mr. Fung Che Wei, Anthony	99,579	—	—	—	99,579
Mr. Liu Shengwen	99,579	—	—	—	99,579
Mr. Hon Leung	99,579	—	—	—	99,579
Total	298,737	1,575,950	—	43,691	1,918,378

Notes:

(i) Ms. Wang Ying resigned on 12 May 2021.

(ii) Ms. Gong Xiaoting was appointed on 12 May 2021.

(iii) Mr. Zhuang Wei resigned on 8 October 2021.

(iv) Mr. Qian Cheng resigned on 12 May 2021.

(v) Mr. Sun Luran resigned on 12 May 2021.

(vi) Mr. Peng Qilei was appointed on 12 May 2021.

(vii) Ms. Liu Jing was appointed on 12 May 2021.

(viii) Ms. Tong Fangyan was appointed on 8 October 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2020

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	432,230	—	36,666	468,896
Mr. Weng Jianxing	—	487,804	—	35,331	523,135
Ms. Wang Ying	—	412,630	—	27,930	440,560
Non-executive directors					
Mr. Zhuang Wei	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Sun Luran	—	—	—	—	—
Independent non-executive directors					
Mr. Fung Che Wei, Anthony	106,122	—	—	—	106,122
Mr. Liu Shengwen	106,122	—	—	—	106,122
Mr. Hon Leung	106,122	—	—	—	106,122
Total	318,366	1,332,664	—	99,927	1,750,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(Continued)

(b) Supervisors' emoluments

The emoluments of each of the supervisors for the year are set out below:

Year ended 31 December 2021

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Mr. Liu Bing	—	479,631	—	18,079	497,710
Mr. Tian Xiuju (note (i))	—	71,698	—	2,500	74,198
Mr. Zhu Xiaodong	—	—	—	—	—
Mr. Sun Luran (note (ii))	—	—	—	—	—
Total	—	551,329	—	20,579	571,908

Year ended 31 December 2020

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Mr. Liu Bing	—	450,037	—	33,838	483,875
Mr. Tian Xiuju	—	197,446	—	13,512	210,958
Mr. Zhu Xiaodong	—	—	—	—	—
Total	—	647,483	—	47,350	694,833

Notes:

(i) Mr. Tian Xiuju resigned on 12 May 2021.

(ii) Mr. Sun Luran was appointed on 12 May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 included 3 (2020: 2) directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2020: 3) individuals for the years ended 31 December 2021 and 2020 respectively are as follows:

	2021 RMB	2020 RMB
Salaries, allowances and benefits in kind	**707,047**	1,379,294
Discretionary bonuses	**20,000**	—
Contribution to defined contribution retirement plan	**34,652**	132,559
Total	**761,699**	1,511,853

The emoluments of each of the above non-director highest paid individuals during the year were all within the band of nil to HK$1,000,000.

(d) During the year, no emoluments were paid by the Group to the directors or supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year.

(e) Emoluments paid or payable to members of senior management who are not directors or supervisors were within the following band:

	2021 Number of individual	2020 Number of individual
Nil to HK$1,000,000	**1**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. PLANT AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
Cost				
At 1 January 2020	2,353,066	715,176	961,861	4,030,103
Additions	—	—	—	—
Disposals	(437,130)	(359,176)	—	(796,306)
At 31 December 2020 and 1 January 2021	**1,915,936**	**356,000**	**961,861**	**3,233,797**
Additions	—	—	—	—
Disposals	**(159,909)**	**(356,000)**	—	**(515,909)**
At 31 December 2021	**1,756,027**	—	**961,861**	**2,717,888**
Accumulated depreciation				
At 1 January 2020	1,190,359	567,143	654,213	2,411,715
Charge for the year	216,518	57,680	307,648	581,846
Disposals	(295,401)	(286,700)	—	(582,100)
At 31 December 2020 and 1 January 2021	**1,111,477**	**338,123**	**961,861**	**2,411,461**
Charge for the year	**160,682**	**7,197**	—	**167,879**
Disposals	**(152,721)**	**(345,320)**	—	**(498,041)**
At 31 December 2021	**1,119,438**	—	**961,861**	**2,081,299**
Net carrying value				
At 31 December 2021	**636,589**	—	—	**636,589**
At 31 December 2020	804,459	17,877	—	822,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. INTANGIBLE ASSET

	Computer software RMB
Cost	
At 1 January 2020	—
Additions	2,533,707
At 31 December 2020 and 1 January 2021 and 31 December 2021	2,533,707
Accumulated depreciation	
At 1 January 2020	—
Charge for the year	144,210
At 31 December 2020 and 1 January 2021	144,210
Charge for the year	253,371
At 31 December 2020	397,581
Net carrying value	
At 31 December 2021	2,136,126
At 31 December 2020	2,389,497

The Group's computer software with carrying amount of RMB2,136,126 (2020: RMB2,389,497) will be fully amortised in 8 years (2020: 9 years).

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB	2020 RMB
Financial asset measured at FVTPL		
– preference shares of an unlisted investment	**5,000,000**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Reconciliation for financial asset at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted investment	Financial asset measured at FVTPL	
	2021 RMB	2020 RMB
At the beginning of year	—	—
Addition	**5,000,000**	—
At the end of year	**5,000,000**	—

The financial asset represents 0.5973% interest of preference shares in a private company incorporated in the PRC with investment cost of RMB5,000,000. Upon initial recognition, the financial assets are measured at FVTPL. There is no significant change in fair value of the financial asset for the year ended 31 December 2021. The fair value measurement of the asset is disclosed in note 37 to the consolidated financial statements. It is classified as non-current assets as it is expected to be realised after 12 months after the reporting period.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB	2020 RMB
Financial assets measured at FVTOCI		
– Ordinary shares in Shanghai KYMS Enterprise Development Co., Ltd ("**Shanghai KYMS**") (Note a)	**18,003,936**	—
– Ordinary shares in Zhuhai Huihe Guangjing Chuangye Investment Fund, L.P ("**Zhuhai Huihe**") (Note b)	**6,000,000**	—
– Ordinary shares in Shenzhen Shuncheng Health Investment Fund, L.P. ("**Shenzhen Shuncheng**") (Note c)	**4,000,000**	—
	28,003,936	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(Continued)

Reconciliation for financial assets at fair value based on significant unobservable inputs (Level 3) are as follows:

Investment	Financial asset measured at FVTPL	
	2021	2020
	RMB	RMB
At the beginning of year	—	—
Additions	25,534,858	—
Total gains or losses:		
– in other comprehensive income (included in changes in fair value of financial assets at FVTOCI)	2,469,078	—
At the end of year	28,003,936	—

(a) The financial asset represents 7.55% interest of shares in a company incorporated in the PRC which listed in NEEQ with investment cost of RMB15,534,858. The Group has irrevocably elected at initial recognition to recognise at fair value through other comprehensive income under HKFRS 9 as it is a strategic investment and are not held for trading. No dividends were received on this investment during the year. There is change in fair value of the financial asset of RMB2,469,078 for the year ended 31 December 2021.

(b) The financial asset represents 28.2699% interest in a fund incorporated in the PRC. Pursuant to the Limited Partnership Agreement, the capital commitment to the Fund by the Group is RMB30,000,000. As at 31 December 2021, RMB6,000,000 was paid and the remaining RMB24,000,000 remained unpaid. The Group has irrevocably elected at initial recognition to recognise at fair value through other comprehensive income under HKFRS 9 as it is a strategic investment and are not held for trading. The investment is not accounted for using the equity method (as an associate) as the Group does not have the power to participate in the Fund's operating and financial policies, evidenced by the lack of any direct or indirect involvement in the investment decision committee. There were no realised or unrealised gain or loss and no dividends were received on this investment during the year. There is no significant change in fair value of the financial asset for the year ended 31 December 2021.

(c) The financial asset represents 3.73% interest in a fund incorporated in the PRC with investment cost of RMB4,000,000. The Group has irrevocably elected at initial recognition to recognise at fair value through other comprehensive income under HKFRS 9 as it is a strategic investment and are not held for trading. No dividends were received on this investment during the year. There is no significant change in fair value of the financial asset for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE

	2021 RMB	2020 RMB
Finance lease receivables	78,002,799	211,238,917
Less: unearned finance income	(6,754,700)	(14,709,778)
Present value of minimum lease payment (note (a))	71,248,099	196,529,139
Receivables from sale-leaseback transactions (note (b))	189,321,613	404,709,628
Factoring receivables with recourse (note (c))	114,005,795	122,303,846
Trade receivables (note (d))	9,720,839	13,239,973
Subtotal of accounts receivable	384,296,346	736,782,586
Less: Provision for finance lease receivables (note (a))	(14,060,386)	(29,558,615)
Provision for receivables from sale-leaseback transaction (note (b))	(13,106,487)	(7,507,260)
Provision for factoring receivables (note (c))	(11,144,439)	(12,927,175)
Provision for trade receivables (note (d))	(580,587)	(425,519)
	345,404,447	686,364,017

Analysis for reporting purpose as:

	2021 RMB	2020 RMB
Current assets	288,196,025	445,088,241
Non-current assets	57,208,422	241,275,776
	345,404,447	686,364,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

As at 31 December 2021, included in accounts receivable amounted to RMB46,035,757 (2020: RMB81,206,809) were balances due from related companies with details as follows:

The Group

		Amount outstanding		
Name of related parties	Notes	At 1 January RMB	At 31 December RMB	Maximum amount outstanding during the year RMB
2021				
Longding Huayuan[1]	32(a)			
Finance lease receivables		68,077,020	46,871,710	68,077,020
Less: Impairment allowance		(799,484)	(835,953)	
		67,277,536	46,035,757	
Shanghai Kuajie[2]	32(a)			
Factoring receivable		7,976,153	—	7,976,153
Less: Impairment allowance		(20,355)	—	
		7,955,798	—	
Shanghai KYMS[3]	32(a)			
Factoring receivable		5,988,758	—	5,988,758
Less: Impairment allowance		(15,283)	—	
		5,973,475	—	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Name of related parties	Notes	Amount outstanding At 1 January RMB	Amount outstanding At 31 December RMB	Maximum amount outstanding during the year RMB
2020				
Longding Huayuan[1]	32(a)			
Finance lease receivables		—	68,077,020	84,276,000
Factoring receivable		21,121,765	—	21,121,765
Less: Impairment allowance		(255,174)	(799,484)	
		20,866,591	67,277,536	
Shanghai Kuajie[2]	32(a)			
Factoring receivable		15,000,000	7,976,153	15,000,000
Less: Impairment allowance		(181,216)	(20,355)	
		14,818,784	7,955,798	
Shanghai KYMS[3]	32(a)			
Factoring receivable		10,000,000	5,988,758	10,000,000
Less: Impairment allowance		(120,811)	(15,283)	
		9,879,189	5,973,475	

1 北京市龍鼎華源房地產開發有限責任公司 (Beijing City Longding Huayuan Property Development Co. Ltd.) ("**Longding Huayuan**") is a wholly-owned subsidiary of Beijing City Dayuan Tiandi Property Development Co., Ltd 北京市大苑天地房地產開發有限公司 ("**Dayuan Tiandi**"), which is one of the substantial shareholders of the Company.

2 上海快頡企業管理有限公司 (Shanghai Kuaijie Enterprise Management Co., Ltd.) ("**Shanghai Kuaijie**") was a wholly-owned subsidiary of Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd 北京快易天地企業管理有限公司 ("**Beijing Kuaiyi Tiandi**"), which was owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi which is one of the substantial shareholders of the Company. In April 2021, Beijing Dayuan Tiandi has sold all the 49% shares in Beijing Kuaiyi Tiandi to a third party and therefore, Shanghai Kuaijie was no longer a related party as at 31 December 2021.

3 上海快易名商云科技股份有限公司, formerly known as 上海快易名商企業發展股份有限公司 (Shanghai KYMS Enterprise Development Co., Ltd ("**Shanghai KYMS**"), formerly known as "Shanghai Kuaiyi Mingshang Enterprise Development Co.,Ltd" ("**Shanghai Kuaiyi Mingshang**")) is a joint venture partner of Beijing Kuaiyi Tiandi, which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Daynan Tiandi which is one of the substantial shareholders of the Company. In April 2021, Beijing Dayuan Tiandi has sold all the 49% shares in Beijing Kuayi Tiandi to a third party and therefore, Shanghai KYMS was no longer a related party as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes:

(a) The effective interest rates of the above finance lease ranged mainly from 5.83% to 19.48% per annum as at 31 December 2021 (2020: 0.69% to 19.25% per annum).

The ageing analysis of finance lease receivables, determined based on the schedule to repay of the receivables since the effective dates of the relevant lease contracts, as at the end of reporting period, is as follows:

	2021 RMB	2020 RMB
Finance lease receivables:		
Within one year	**71,047,601**	170,390,835
More than one year but within two years	**6,955,198**	38,001,682
More than two years but within three years	**—**	2,846,400
	78,002,799	211,238,917
Present value of minimum lease payments:		
Within one year	**70,163,568**	157,058,262
More than one year but within two years	**1,084,531**	37,916,898
More than two years but within three years	**—**	1,553,979
	71,248,099	196,529,139

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

	2021 RMB	2020 RMB
Neither overdue nor credit-impaired	38,382,672	129,417,526
Overdue but not credit-impaired		
– Overdue within 30 days	**502,827**	2,572,264
– Overdue 30 to 90 days	—	3,657,654
– Overdue 90 days to 180 days	—	1,248,358
	502,827	7,478,276
Overdue and credit impaired		
– Overdue over 180 days	**32,362,600**	59,633,337
Carrying amount of finance lease receivables	**71,248,099**	196,529,139
Allowance for impairment losses	**(14,060,386)**	(29,558,615)
Net amount of finance lease receivables	**57,187,713**	166,970,524

Movements of the provision for impairment loss on finance lease receivables are as follows:

	2021 RMB	2020 RMB
At beginning of year	**29,558,615**	17,331,442
Impairment loss recognised for the year (note)	**3,377,717**	12,227,173
Write off	**(18,875,946)**	—
At end of year	**14,060,386**	29,558,615

Notes:

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for finance lease receivables. The changes in the loss allowance was mainly due to the additional of loss allowance on finance lease contracts at the reporting date under the expected credit loss model and the write off of uncollectible balances during the year.

As part of its normal business, the Group entered into a finance lease receivable factoring arrangement (the "**Arrangement**") and transferred certain finance lease receivables to an independent third party and a state-owned commercial bank in the PRC (the "**Factors**") during the years ended 31 December 2020 and 2021 respectively. Under the Arrangements, the Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to 1 day. Since the Group has retained substantial risks and rewards relating to the accounts receivable including default risks, the accounts receivable are regarded as transferred financial assets that should not be derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

The following table provide a summary of carrying amounts related to transferred financial assets at amortised cost that are not derecognised in their entirety and the associated liabilities:

	2021 RMB	2020 RMB
Carrying amount of assets (note 25(b))	**23,634,775**	80,090,167
Carrying amount of associated liabilities (note 25(b))	**—**	59,199,817
Net position	**23,634,775**	20,890,350

The carrying amount of the transferred assets at amortised cost and associated liabilities are approximated to their fair values.

(b) The effective interest rates of the receivables from sale-leaseback transactions ranged mainly from 7.69% to 26.91% per annum as at 31 December 2021 (2020: 6.83% to 26.91% per annum).

The following is an ageing analysis based on the schedule to repay of the receivables since the effective date of the relevant sale-leaseback contracts, as at the end of the reporting period.

	2021 RMB	2020 RMB
Current	**158,310,371**	226,029,502
Non-current	**31,011,242**	178,680,126
	189,321,613	404,709,628

Notes:

Under HKFRS 16, the Group, acts as a buyer-lessor does not recognise the transferred asset if the sale-leaseback transaction does not satisfy the requirements of HKFRS 15 as a sale but accounted for as financing arrangement under HKFRS 9.

The loss allowance was measured at an amount equal to 12 month and lifetime expected credit losses under the general approach for receivables from sale-leaseback transaction. The changes in the loss allowance was mainly due to the additional of loss allowance on receivables from sale-leaseback transactions at the reporting date under the expected credit loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

The following is a credit quality analysis of receivables from sale-leaseback transaction. In the event that an instalment repayment of a receivable from sale-leaseback transaction is overdue, the entire outstanding balance of the receivables from sale-leaseback transaction is classified as overdue.

	2021 RMB	2020 RMB
Neither overdue nor credit-impaired	139,496,223	358,138,084
Overdue but not credit-impaired		
– Overdue within 30 days	7,234,711	22,568,922
– Overdue 30 to 90 days	3,114,764	769,731
– Overdue 90 days to 180 days	2,428,880	6,263,009
	12,778,355	29,601,662
Overdue and credit impaired		
– Overdue over 180 days	37,047,035	16,969,882
Carrying amount of receivables from sale-leaseback transaction	189,321,613	404,709,628
Allowance for impairment losses	(13,106,487)	(7,507,260)
Net amount of receivables from sale-leaseback transaction	176,215,126	397,202,368

Movements of the provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	2021 RMB	2020 RMB
At beginning of year	7,507,260	2,517,681
Impairment loss recognised for the year	5,599,227	4,898,579
At end of year	13,106,487	7,507,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	As at 31 December 2021			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of receivables from sale-leaseback transaction	149,845,698	2,428,880	37,047,035	189,321,613
Less: Allowances for impairment losse	(2,693,073)	(402,059)	(10,011,355)	(13,106,487)
Net amount of receivables from sale-leaseback transaction	147,152,625	2,026,821	27,035,680	176,215,126

	As at 31 December 2020			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of receivables from sale-leaseback transaction	381,476,737	6,263,009	16,969,882	404,709,628
Less: Allowances for impairment losse	(4,427,955)	(557,206)	(2,522,099)	(7,507,260)
Net amount of receivables from sale-leaseback transaction	377,048,782	5,705,803	14,447,783	397,202,368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Movements of the provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Balance as at 1 January 2020	2,517,681	—	—	2,517,681
Transfer to lifetime ECL not credit — impaired/ credit-impaired	(173,875)	54,147	119,728	—
Net remeasurement of loss allowance	(1,449)	503,059	2,402,371	2,903,981
New financial assets originated	2,336,960	—	—	2,336,960
Repayment	(251,362)	—	—	(251,362)
Balance as at 31 December 2021 and 1 January 2021	4,427,955	557,206	2,522,099	7,507,260
Transfer to lifetime ECL not credit — impaired/ credit-impaired	(3,158,208)	(400,301)	3,558,509	—
Net remeasurement of loss allowance	1,359,873	245,154	3,930,747	5,535,774
New financial assets originated	63,453	—	—	63,453
Balance as at 31 December 2021	2,693,073	402,059	10,011,355	13,106,487

The significant increase in lifetime ECL credit impaired on receivables from sale-leaseback transaction are mainly due to increase in significant risk and increase of the gross amounts in this category at the reporting date under the expected credit loss model.

(c) The ageing analysis of factoring receivables, as at the end of the reporting periods, based on the schedule to repay by customers is as follows:

	2021 RMB	2020 RMB
Current	94,858,546	103,156,596
Non-current	19,147,249	19,147,250
	114,005,795	122,303,846

The effective interest rates of the above factoring receivables ranged mainly from 8.36% to 15% per annum as at 31 December 2021 (2020: 8.36% to 15.00% per annum).

As at 31 December 2021, the Group hold collateral of the factoring receivables with a carrying amount of RMB247,517,625 (2020: RMB485,834,956) over the factoring receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

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

	2021 RMB	2020 RMB
Neither overdue nor credit-impaired	**74,516,868**	62,378,376
Overdue but not credit-impaired		
– Overdue 90 days to 180 days	**6,253,892**	26,980,626
Overdue and credit impaired		
– Overdue over 180 days	**33,235,035**	32,944,844
Carrying amount of factoring receivables	**114,005,795**	122,303,846
Allowance for impairment losses	**(11,144,439)**	(12,927,175)
Net amount of factoring receivables	**102,861,356**	109,376,671

Provision for impairment loss on factoring receivables are as follows:

	As at 31 December 2021			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of factoring receivables	**74,516,868**	**6,253,892**	**33,235,035**	**114,005,795**
Less: Allowances for impairment losse	**(1,290,152)**	**(274,827)**	**(9,579,460)**	**(11,144,439)**
Net amount of factoring receivables	**73,226,716**	**5,979,065**	**23,655,575**	**102,861,356**

	As at 31 December 2020			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of factoring receivables	62,378,376	26,980,626	32,944,844	122,303,846
Less: Allowances for impairment losse	(1,450,401)	(1,143,916)	(10,332,858)	(12,927,175)
Net amount of factoring receivables	60,927,975	25,836,710	22,611,986	109,376,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

Movements of the provision for impairment loss on factoring receivables are as follows:

	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Balance as at 1 January 2020	2,979,587	—	5,330,372	8,309,959
Transfer to lifetime ECL not credit-impaired/ credit-impaired	(608,546)	319,963	288,583	—
Net remeasurement of loss allowance	(1,067,819)	829,953	4,713,903	4,470,037
New financial assets originated	147,179	—	—	147,179
Balance as at 31 December 2020 and 1 January 2021	1,450,401	1,143,916	10,332,858	12,927,175
Transfer to lifetime ECL not credit-impaired/ credit-impaired	(791,356)	(136,349)	927,705	—
Net remeasurement of loss allowance	(537,693)	(732,740)	(1,681,103)	(2,951,536)
New financial assets originated	1,168,800	—	—	1,168,800
Balance as at 31 December 2021	1,290,152	274,827	9,579,460	11,144,439

The change was mainly due to decrease in loss allowance on factoring receivables with the decrease in gross amounts at the reporting date under the expected credit loss model.

(d) The ageing analysis of trade receivables, as at the end of the reporting periods, based on the schedule to repay by customers is as follows:

	2021 RMB	2020 RMB
Current	3,543,073	5,604,587
Non-current	6,177,766	7,635,386
	9,720,839	13,239,973

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for trade receivables. The trade receivables were neither past due nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(d) *(Continued)*

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

	2021 RMB	2020 RMB
Neither overdue nor credit-impaired	5,271,955	8,745,572
Overdue but not credit-impaired		
– Overdue within 30 days	627,212	552,251
– Overdue 30 days to 90 days	2,081,535	3,942,150
– Overdue 90 days to 180 days	1,740,137	—
	4,448,884	4,494,401
Carrying amount of trade receivables	9,720,839	13,239,973
Allowance for impairment losses	(580,587)	(425,519)
Net amount of trade receivables	9,140,252	12,814,454

Movements of the provision for impairment loss on trade receivables are as follows:

	2021 RMB	2020 RMB
At beginning of year	**425,519**	502,576
Impairment loss/(recovery) recognised for the year	**155,068**	(77,057)
At end of year	**580,587**	425,519

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements as follows:

	Allowance for impairment losses RMB	Others RMB	Total RMB
At 1 January 2020	7,165,415	1,442,035	8,607,450
Credited to profit or loss	5,439,227	(1,442,035)	3,997,192
At 31 December 2020 and 1 January 2021	12,604,642	—	12,604,642
Credited to profit or loss	1,837,320	—	1,837,320
At 31 December 2021	14,441,962	—	14,441,962

As at 31 December 2021, the Group had tax losses arising in the PRC of RMB2,308,506 (2020: RMB1,615,035) that will expire in years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax asset has been recognised for the above deductible temporary differences as it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB	2020 RMB
Prepayments	3,430,078	1,497,793
Value-added tax recoverable	1,632,634	223,833
Other deposits	141,923	124,093
Other receivables	3,003,764	2,781,627
	8,208,399	4,627,346

The directors of the Company considered the fair values of other receivables approximate to their fair values.

21. RESTRICTED BANK DEPOSITS

	2021 **RMB**	2020 RMB
Restricted bank deposits		
Current	—	60,000,000
	—	60,000,000

As at 31 December 2020, RMB60,000,000 were pledged as securities for bank borrowings of RMB57,078,375. The Group's restricted bank deposits carried interest at prevailing market rates ranging is 2.5% per annum at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. CASH AND CASH EQUIVALENTS

	2021 RMB	2020 RMB
Cash at bank and in hand	**148,349,236**	142,021,437

As at 31 December 2021, the Group has cash and bank balances denominated in RMB amounted to RMB148,195,253 (2020: RMB141,860,943), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates and are deposited with creditworthy banks.

The directors of the Company considered that the fair values of the cash and cash equivalents are not materially different from their carrying amounts because of the short maturity period on their inception.

23. TRADE AND OTHER PAYABLES

	2021 RMB	2020 RMB
Trade payables (note a)	**2,027,747**	—
Accruals	**1,814,346**	2,132,764
Deposits from finance lease customers (note 26)	**32,733,359**	42,445,602
Deposits from suppliers (note 26)	**1,345,038**	2,493,963
Other payables	**1,289,187**	3,443,431
Others (note b)	**1,317,534**	1,848,881
	40,527,211	52,364,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. TRADE AND OTHER PAYABLES *(Continued)*

Note:

(a) The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of the year is as follows:

	2021 RMB	2020 RMB
Over 3 months but within 1 year	2,027,747	—

(b) Others mainly include premium received from customers for insurance arrangement on behalf of customers and temporary receipts from customers.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

24. RECEIPTS IN ADVANCE

	2021 **RMB**	2020 RMB
Current portion	**47,367**	481,997
Non-current portion	**1,021,500**	1,184,565
	1,068,867	1,666,562

Receipts in advance represent the advanced receipts on management fee of finance lease and factoring arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. INTEREST-BEARING BANK BORROWINGS

	2021 RMB	2020 RMB
Current liabilities		
Bank loans – secured and guaranteed (note (a) and (b))	—	59,199,817
Bank loans – guaranteed (note (b))	—	199,416,466
Bank loans – secured (note (b))	—	57,078,375
	—	315,694,658
Non-current liabilities		
Bank loan – secured and guaranteed (note (b))	—	5,945,152
	—	321,639,810

At the end of reporting period, total current and non-current interest-bearing bank borrowings were scheduled to repay as follows:

	2021 RMB	2020 RMB
Within one year	—	315,694,658
More than one year, but not exceeding two years	—	5,945,152
	—	321,639,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) For the year end 31 December 2020, all of the facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions or independent third parties. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lenders the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations ("**repayment on demand clause**").

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38(b). As at 31 December 2020, none of the covenants relating to drawn down facilities had been breached.

(b) As at 31 December 2020, the Group's interest-bearing bank borrowings were secured and/or guaranteed by way of the following:

- Finance lease receivable with the carrying amount of RMB28,867,226.
- Receivables from sale-leaseback transaction with the carrying amount of RMB51,222,941.
- The Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB248,790,980.
- Bank deposits of RMB60,000,000.

The ranges of effective interest rates per annum of the fixed rate bank loans were as follows:

	2021 RMB	2020 RMB
Fixed rates bank loans	—	4.5%-5.13%

(c) As at 31 December 2021, the Group does not have any banking facilities. As at 31 December 2020, the Group had obtained banking facilities of RMB487,000,000 of which RMB152,746,685 had been utilised by the Group. As at 31 December 2020, the Group had unutilised banking facilities of RMB334,253,315 available for draw down.

As at 31 December 2020, the Group's banking facilities of RMB59,105,602 were secured by the finance lease receivables and sale and leaseback receivables with the carrying amount of RMB80,090,167.

The Directors estimated the fair value of the interest-bearing bank borrowings by discounting their future cash flows at the market rate and the directors consider that the carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. DEPOSITS FROM FINANCE LEASE CUSTOMERS AND SUPPLIERS

Deposits from customers and suppliers represent security pledged to the Group for the corresponding finance lease customers. The amount of customer's and supplier's deposits of which the finance leases are expected to be expired after twelve months from the end of reporting period is included under non-current liabilities. The balance on customer's and supplier's deposits of which the finance leases are expected to be expired within twelve months from the end of reporting period is included in "trade and other payables" under current liabilities.

	2021 RMB	2020 RMB
Current liabilities		
Deposits from finance lease customers	**32,733,359**	42,445,602
Deposits from suppliers	**1,345,038**	2,493,963
	34,078,397	44,939,565
Non-current liabilities		
Deposits from finance lease customers	**22,799,601**	67,003,259
Deposits from suppliers	**2,024,350**	3,954,270
	24,823,951	70,957,529

As at 31 December 2021, RMB7,200,000 from finance lease customers from non-current liabilities (2020: RMB7,200,000) was trade balances due to a related company, Longding Huayuan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. LEASES

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the PRC. All leases comprise only fixed payments over the lease terms.

RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2021 RMB	31 December 2020 RMB
Properties leased for own use, carried at depreciated cost	**975,148**	4,688,100

During the year, there is no additions to right-of-use assets (2020: RMB4,432,001).

LEASE LIABILITIES

	Buildings RMB
Balance as at 1 January 2020	4,416,754
Additions	4,432,001
Interest expense	97,833
Early termination	(3,499,637)
Modification of lease (note)	555,504
Lease payments	(1,296,249)
Balance as at 31 December 2020 and 1 January 2021	4,706,206
Interest expense	73,494
Early termination	(2,729,454)
Lease payments	(1,030,163)
Balance as at 31 December 2021	1,020,083

Note:

The Group had to close a number of its lease under the lockdown measures imposed by the government and the Group has received rent concessions in the form of rent forgiveness from lessors as the Group was unable to operate the lease for a short periods of time, such as reductions in rent contractually due under the terms of lease agreement from January 2020 to February 2020. The Group had not elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. LEASES *(Continued)*

LEASE LIABILITIES *(Continued)*

Future lease payments are due as follows:

	Minimum lease payments RMB	Interest RMB	Present value of minimum lease payments RMB
As at 31 December 2021			
Not later than one year	1,024,210	23,647	1,000,563
Later than one year and not later than two years	19,603	83	19,520
	1,043,813	23,730	1,020,083
As at 31 December 2020			
Not later than one year	2,137,152	177,530	1,959,622
Later than one year and not later than two years	2,023,958	82,349	1,941,609
Later than two years and not later than five years	819,603	14,628	804,975
	4,980,713	274,507	4,706,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. LEASES *(Continued)*

LEASE LIABILITIES *(Continued)*

The present value of future lease payments are analysed as:

	2021 RMB	2020 RMB
Current liabilities	**1,000,563**	1,959,622
Non-current liabilities	**19,520**	2,746,584
	1,020,083	4,706,206

28. SHARE CAPITAL

	Number of shares	RMB
Registered domestic and unlisted foreign share capital and H Shares:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**359,340,000**	359,340,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 RMB	2020 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**619,184**	794,440
Intangible asset		**2,136,126**	2,389,497
Interests in subsidiaries		**460,047,260**	260,047,260
Accounts receivable		**32,365,252**	215,567,395
Right-of-use assets		**868,286**	4,188,444
Financial asset at FVTPL		**5,000,000**	—
Deferred tax assets		**11,322,317**	9,032,186
		512,358,425	492,019,222
Current assets			
Accounts receivable		**197,849,083**	346,020,353
Bills receivable		**—**	537,406
Prepayments, deposits and other receivables		**3,782,146**	2,811,510
Amount due from a subsidiary		**43,960,000**	25,462,515
Restricted bank deposits		**—**	60,000,000
Cash and cash equivalents		**143,203,865**	139,534,524
		388,795,094	574,366,308
Current liabilities			
Other payables and accruals		**37,299,930**	50,014,919
Amounts due to subsidiaries		**363,894,927**	189,164,927
Lease liabilities		**909,936**	1,641,622
Tax payables		**6,408,139**	905,960
Interest-bearing bank borrowings		**—**	315,694,658
		408,512,932	557,422,086
Net current (liabilities)/assets		**(19,717,838)**	16,944,222
Total assets less current liabilities		**492,640,587**	508,963,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Note	2021 RMB	2020 RMB
Non-current liabilities			
Deferred revenue		**4,501**	148,484
Deposits from finance lease customers and suppliers		**23,203,950**	70,077,528
Lease liabilities		**—**	2,559,068
Interest-bearing bank borrowings		**—**	5,945,152
		23,208,451	78,730,232
Net assets		**469,432,136**	430,233,212
EQUITY			
Share capital	28	**359,340,000**	359,340,000
Reserves	31	**110,092,136**	70,893,212
Total equity		**469,432,136**	430,233,212

On behalf of directors

LI Peng李鵬

WENG Jianxing翁建興

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. PRINCIPAL SUBSIDIARIES

Details of the subsidiaries are as follows:

Name	Form of business structure	Place of incorporation/ operation and principal activity	Issued and paid up capital	Percentage of ownership interests
杉杉富銀商業保理有限公司 Shan Shan Fullin Factoring Co., Ltd. ("**Fullin Factoring**")	Corporation	Provision of factoring services in the PRC	Renminbi ("**RMB**") 50,000,000	100
北京杉杉醫療科技發展有限公司 Beijing Shan Shan Medical Technology Development Co., Ltd. ("**Beijing Medical**")	Corporation	Supply of medical equipment in the PRC	RMB 33,710,000	100
天津富銀融資租賃有限公司 Tianjin Fullin Financial Leasing Co., Ltd.	Corporation	Provision of finance leasing in the PRC	RMB 170,000,000	100
珠海富銀雲聯投資管理有限公司 Zhuhai Fullin Yunlian Investment and Management Co., Ltd.	Corporation	Investment holding in the PRC	RMB 200,000,000	100

31. RESERVES

The nature and purposes of reserves within equity are as follows:

(a) Merger reserve

The merger reserve of RMB33,710,000 was initially recognised in the consolidated statement of changes in equity for the carrying amount of share capital of Beijing Medical, a subsidiary of the Group pursuant to the business combination under common control. On 23 April 2014, Beijing Medical was acquired by the Company for a consideration of RMB32,127,965, which the same amount was debited to the merger reserve.

(b) Capital reserve

The capital reserve of the Company represents the difference of the shares issued at premium over par value, net of share issue expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. RESERVES *(Continued)*

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity.

The Company

	Capital reserve RMB	Statutory reserve RMB	Retained profits RMB	Total RMB
As at 1 January 2020	31,096,839	10,842,371	53,635,339	95,574,549
Loss and total comprehensive income for the year	—	—	(6,714,337)	(6,714,337)
Release to statutory reserve	—	(423,195)	423,195	—
Dividends paid	—	—	(17,967,000)	(17,967,000)
As at 31 December 2020 and 1 January 2021	31,096,839	10,419,176	29,377,197	70,893,212
Profit and total comprehensive income for the year	—	—	40,276,944	40,276,944
Appropriation of statutory reserve	—	4,328,608	(4,328,608)	—
Dividends paid (Note 11)	—	—	(1,078,020)	(1,078,020)
At 31 December 2021	31,096,839	14,747,784	64,247,513	110,092,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group has the following significant related party transactions.

(a) During the year, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount 2021 RMB	Transaction amount 2020 RMB
Ningbo Shanshan Co., Ltd. 寧波杉杉股份有限公司 ("**Shanshan**")	Intermediate holding company	Interest expenses	—	2,076,521
Longding Huayuan	Common shareholder (note i)	Finance lease income	**5,736,932**	1,488,383
		Factoring income	—	1,797,927
Shanghai Kuajie	Common shareholder (note ii)	Factoring income	**286,164**	1,499,318
Shanghai KYMS (formerly known as "**Shanghai Kuaiyi Mingshang**")	Common shareholder (note iii)	Factoring income	**229,442**	1,060,069

Note:

(i) Longding Huayuan is a wholly-owned subsidiary of Dayuan Tiandi, one of the substantial shareholders of the Company.

(ii) Shanghai Kuaijie is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, which was owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi which is one of the substantial shareholders of the Company. In April 2021, Beijing Dayuan Tiandi has sold all the 49% shares in Beijing Kuaiyi Tiandi to a third party and therefore, Shanghai Kuajie is no longer a related party as at 31 December 2021.

(iii) Shanghai KYMS is a joint venture partner of Beijing Kuaiyi Tiandi, which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi which is one of the substantial shareholders of the Company. In April 2021, Beijing Dayuan Tiandi has sold all the 49% shares in Beijing Kuaiyi Tiandi to a third party, and therefore Shanghai KYMS is no longer a related party as at 31 December 2021.

(b) Members of key management comprise only of the directors whose emoluments are set out in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Interest-bearing bank borrowings RMB	Amount due to an intermediate holding company RMB	Lease liabilities RMB
At 1 January 2020	518,199,459	193,000,000	4,416,754
Changes from cash flows:			
Proceeds from new bank loans	352,753,931	—	—
Repayment of bank loans	(549,313,580)	—	—
Payment of lease liabilities	—	—	(1,296,249)
Net cash outflow from an intermediate holding company	—	(193,000,000)	—
	(196,559,649)	(193,000,000)	(1,296,249)
Other changes:			
Interest expenses on lease liabilities	—	—	97,833
Increase in lease liabilities from entering into new leases during the year	—	—	4,432,001
Termination of lease	—	—	(3,499,637)
Modification of lease	—	—	555,504
	—	—	1,585,701
At 31 December 2020	**321,639,810**	—	**4,706,206**
Changes from cash flows:			
Repayment of bank loans	**(321,639,810)**	—	—
Payment of lease liabilities	—	—	**(1,030,163)**
	(321,639,810)	—	**(1,030,163)**
Other changes:			
Interest expenses on lease liabilities	—	—	**73,494**
Termination of lease	—	—	**(2,729,454)**
	—	—	**(2,655,960)**
At 31 December 2021	—	—	**1,020,083**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. COMMITMENTS

Capital commitments

	2021 RMB	2020 RMB
Commitments for the equity investments:		
Contracted for but not yet incurred:		
– Acquisition of an associate (note 39)	**34,465,139**	—
– Investment in a fund (note 17(b))	**24,000,000**	—
	58,465,139	—

35. CONTINGENT LIABILITIES

At at 31 December 2021, the Group did not have any significant contingent liabilities (31 December 2020: Nil).

36. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Directors also strive to optimise the Group's overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes of the Group's capital management during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. CAPITAL MANAGEMENT *(Continued)*

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of reporting period were as follows:

	2021 RMB	2020 RMB
Total equity	**475,586,973**	459,264,569
Overall financing		
– Interest-bearing bank borrowings	—	321,639,810
	—	321,639,810
Equity-to-overall financing ratio	N/A	1:1.43

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(f):

	2021 RMB	2020 RMB
Financial assets		
Financial asset at FVTPL:		
– Preference shares of an unlisted investment	**5,000,000**	—
Financial asset at FVTOCI		
Bills receivable	—	537,406
Equity investments	**28,003,936**	—
Financial assets measured at amortised cost:		
Accounts receivable	**345,404,447**	686,364,017
Other receivables and deposits	**3,145,687**	2,905,719
Restricted bank deposits	—	60,000,000
Cash and cash equivalents	**148,349,236**	142,021,437
	529,903,306	891,828,579
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	**3,842,093**	2,515,764
Deposits from finance lease customers and suppliers	**58,902,348**	115,897,094
Interest-bearing bank borrowings	—	312,639,810
Lease liabilities	**1,020,083**	4,706,206
	63,764,524	444,758,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Financial instruments not measured at fair value

Financial instruments not measured at fair value include accounts receivable, deposits and other receivables, cash and bank balances, restricted bank deposits, trade and other payables, interest-bearing bank borrowings and lease liabilities.

Due to their short-term nature, their carrying values of cash and bank balances, deposits and other receivables, restricted bank deposits, and trade and other payables approximate their fair values.

The fair value of finance lease receivables, factoring receivables, receivables from sale-leaseback transactions, interest-bearing bank borrowings and lease liabilities has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Financial instruments measured at fair value *(Continued)*

	2021			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial asset at FVTPL				
– Preference shares of an unlisted investment	—	—	5,000,000	5,000,000
Financial assets at FVTOCI				
– Equity investments	—	—	28,003,936	28,003,936
	—	—	33,003,936	33,003,936

	2020			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial asset at FVTOCI				
– Bills receivable	—	537,406	—	537,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Information about level 3 fair value measurements *(Continued)*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	NOTES	Fair value as at 2021 RMB	2020 RMB	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable input to fair value	Sensitivity of fair value to the input(s)
Financial asset at FVTPL								
– Preference shares of the unlisted investment	16	5,000,000	–	Level 3	Using the option pricing model based on assumptions that are supported by the transaction of preferred stocks in the investee company	Marketability discount: 15.8% (2020: nil) Minority discount: 24.5% (2020: nil)	The higher marketability discount, the lower the fair value The higher minority discount, the lower the fair value	5% increase/(decrease) in marketability would result in (decrease)/ increase in fair value of approximately RMB46,000 (2020: nil) 5% increase/(decrease) in minority discount would result in (decrease)/ increase in fair value of approximately RMB79,000 (2020: nil)
Financial assets at FVTOCI								
– Ordinary shares in Shanghai KYMS	17	18,003,936	–	Level 3	Based on the investee's financial performance and the multiples of comparable companies and using market approach	Marketability discount: 30% (2020: nil)	The higher marketability discount, the lower the fair value	5% increase/(decrease) in marketability discount would result in (decrease)/increase in fair value of approximately RMB386,000 (2020: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Information about level 3 fair value measurements *(Continued)*

Financial assets	NOTES	Fair value as at 2021 RMB	2020 RMB	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable input to fair value	Sensitivity of fair value to the input(s)
– Ordinary shares in Zhuhai Huibe	17	6,000,000	–	Level 3	Based on the investee's financial performance using discounted cash flow method	Marketability discount: 15.8% (2020: nil) Minority discount: 24.5% (2020: nil) Discount rate: 12% (2020: nil)	The higher marketability discount, the lower the fair value The higher minority discount, the lower the fair value The higher discount rate, the lower the fair value	5% increase/(decrease) in marketability discount would result in (decrease)/increase in fair value of approximately RMB24,000 (2020: nil) 5% increase/(decrease) in minority discount would result in (decrease)/increase in fair value of approximately RMB42,000 (2020: nil) 5% increase/(decrease) in discount rate would result in (decrease)/increase in fair value of approximately RMB142,000 and RMB162,000 respectively (2020: nil)
– Ordinary shares in Shenzhen Shuncheng	17	4,000,000	–	Level 3	Based on the investee's financial performance using discounted cash flow method	Marketability discount: 15.8% (2020: nil) Minority discount: 18.6% (2020: nil) Discount rate: 14% (2020: nil)	The higher marketability discount, the lower the fair value The higher minority discount, the lower the fair value The higher discount rate, the lower the fair value	5% increase/(decrease) in marketability discount would result in (decrease)/increase in fair value of approximately RMB12,000 (2020: nil) 5% increase/(decrease) in minority discount would result in (decrease)/increase in fair value of approximately RMB20,000 (2020: nil) 5% increase/(decrease) in discount rate would result in (decrease)/increase in fair value of approximately RMB32,000 and RMB33,000 respectively (2020: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Information about level 3 fair value measurements *(Continued)*

Financial assets	NOTES	Fair value as at 2021 RMB	2020 RMB	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable input to fair value	Sensitivity of fair value to the input(s)
– Bills receivables		–	537,406	Level 2	By discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities	N/A	N/A	N/A

There were no transfers between levels during the year.

38. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk, fair value risk and other price risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

As at the end of reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to accounts receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's pledged bank deposits and cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Group's concentration of credit risk on the account receivables as at 31 December 2021 included five major counterparties accounting for 26% (2020: 11%) of the accounts receivable respectively. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customer base as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Lessees of the Group from finance lease and sale-leaseback transactions are from different industries as follows:

Present value of minimum lease payment

	2021 RMB	%	2020 RMB	%
Medical	**44,693,757**	**17**	76,963,777	13
Transportation	**17,128,473**	**7**	48,804,948	8
Electronics	**28,424,428**	**11**	93,877,394	16
Fast-moving consumer goods	**86,070,965**	**33**	195,996,513	33
Alternative energy	**3,521,128**	**1**	7,601,704	1
Machining	**29,884,815**	**11**	93,144,969	15
Others	**50,846,146**	**20**	84,849,462	14
	260,569,712	**100**	601,238,767	100
Less: Provision for finance lease receivables and receivables from sale-leaseback transaction	**(27,166,873)**		(37,065,875)	
	233,402,839		564,172,892	

Factoring receivables of the Group are from different industries as follows:

	2021 RMB	%	2020 RMB	%
Manufacturing	**14,785,160**	**13**	15,957,726	13
Medical	**29,200,179**	**26**	64,584,265	53
Real estate leasing	**9,938,965**	**9**	40,427,973	33
Wholesale and retails	**60,081,491**	**52**	1,333,882	1
	114,005,795	**100**	122,303,846	100
Less: Provision for factoring receivables	**(11,144,439)**		(12,927,175)	
	102,861,356		109,376,671	

As the customers of the Group are widely dispersed and are engaged in different industries, and the Group has closely monitored the market trend of these industries in the PRC and the business performance of its customers to ensure the timely collection of the account receivable, there is no significant credit risk concentration within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classifies its accounts receivable are set out below:

	Description	Finance lease receivables and trade receivables	Other financial assets
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	Lifetime ECL – not credit impaired	12 month ECL
Special-mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Amount is written off	Amount is written off

The Group measures loss allowances for finance lease receivables and trade receivables based on lifetime ECLs. For factoring receivables, the Group assessed the loss allowance for receivables that are not credit-impaired collectively based on 12 month expected credit loss and lifetime ECL and assessed receivables that are credit-impaired based on lifetime expected credit loss. For receivables from sale-leaseback transaction, the Group measures the loss allowance equal to 12 month expected credit loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables, receivables from sale-leasback transactions, factoring receivables and trade receivables as at 31 December 2021 and 2020:

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2021						
Finance lease receivables and trade receivables						
Lifetime ECL – Simplified approach						
Expected loss rate	5.25%	10.61%	12.78%	37.12%	—	
Provision	2,460,310	184,594	9,463	11,986,606	—	14,640,973
Collectively assessed gross receivables	46,866,200	1,740,137	74,034	32,288,567	—	80,968,938
Receivables from sale-leaseback transaction						
12 month ECL						
Expected loss rate	1.78%	—	—	—	—	
Provision	2,693,073	—	—	—	—	2,693,073
Collectively assessed gross receivables	149,845,698	—	—	—	—	149,845,698
Lifetime ECL-not credit impaired						
Expected loss rate	—	16.55%	—	—	—	
Provision	—	402,059	—	—	—	402,059
Collectively assessed gross receivables	—	2,428,880	—	—	—	2,428,880
Lifetime ECL-credit impaired						
Average expected loss rate	—	—	—	27.02%	—	
Provision	—	—	—	10,011,355	—	10,011,355
Individually assessed gross amount	—	—	—	37,047,035	—	37,047,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2021						
Factoring receivables						
12 month ECL						
Expected loss rate	1.73%	—	—	—	—	
Provision	1,290,152	—	—	—	—	1,290,152
Collectively assessed gross receivables	74,516,868	—	—	—	—	74,516,868
Lifetime ECL-not credit impaired						
Average expected loss rate	—	4.39%	—	—	—	
Provision	—	274,827	—	—	—	274,827
Individually assessed gross amount	—	6,253,892	—	—	—	6,253,892
Lifetime ECL-credit impaired						
Average expected loss rate	—	—	—	28.82%	—	
Provision	—	—	—	9,579,460	—	9,579,460
Individually assessed gross amount	—	—	—	33,235,035	—	33,235,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2020						
Finance lease receivables and trade receivables						
Lifetime ECL – Simplified approach						
Expected loss rate	3.94%	9.13%	10.92%	55.04%	—	
Provision	5,872,611	113,987	2,183,097	21,814,459	—	29,984,134
Collectively assessed gross receivables	148,887,417	1,248,358	20,000,487	39,632,850	—	209,769,112
Receivables from sale-leaseback transaction						
12 month ECL						
Expected loss rate	1.16%	—	—	—	—	
Provision	4,427,955	—	—	—	—	4,427,955
Collectively assessed gross receivables	381,476,737	—	—	—	—	381,476,737
Lifetime ECL-not credit impaired						
Average expected loss rate	—	8.90%	—	—	—	
Provision	—	557,206	—	—	—	557,206
Individually assessed gross amount	—	6,263,009	—	—	—	6,263,009
Lifetime ECL-credit impaired						
Average expected loss rate	—	—	—	14.86%	—	
Provision	—	—	—	2,522,099	—	2,522,099
Individually assessed gross amount	—	—	—	16,969,882	—	16,969,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2020						
Factoring receivables						
12 month ECL						
Expected loss rate	2.33%	—	—	—	—	
Provision	1,450,401	—	—	—	—	1,450,401
Collectively assessed gross receivables	62,378,376	—	—	—	—	62,378,376
Lifetime ECL-not credit impaired						
Average expected loss rate	—	4.24%	—	—	—	
Provision	—	1,143,916	—	—	—	1,143,916
Individually assessed gross amount	—	26,980,626	—	—	—	26,980,626
Lifetime ECL-credit impaired						
Average expected loss rate	—	—	—	31.36%	—	
Provision	—	—	—	10,322,858	—	10,332,858
Individually assessed gross amount	—	—	—	32,944,844	—	32,944,844

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which Group and the Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	On demand RMB	Within 1 year RMB	1 to 2 years RMB	Over 2 years RMB
At 31 December 2021						
Trade and other payables	**3,842,093**	**3,842,093**	**3,842,093**	**—**	**—**	**—**
Lease liabilities	**1,020,083**	**1,043,813**	**—**	**1,024,210**	**19,603**	**—**
Deposits from finance lease customers and suppliers	**58,902,348**	**58,902,348**	**—**	**34,078,397**	**24,823,951**	**—**
Total liabilities	**63,764,524**	**63,788,254**	**3,842,093**	**35,102,607**	**24,843,554**	**—**
At 31 December 2020						
Other payables and accruals	2,515,764	2,515,764	2,515,764	—	—	—
Lease liabilities	4,706,206	4,980,713	—	2,137,152	2,023,958	819,603
Deposits from finance lease customers and suppliers	115,897,094	115,897,094	—	44,939,565	46,561,229	24,396,300
Interest-bearing bank borrowings (note)	321,639,810	329,437,712	—	323,041,880	6,395,832	—
Total liabilities	444,758,877	452,831,283	2,515,764	370,118,597	54,981,019	25,215,903

Note: Bank borrowings with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between 1 to 3 years after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Group	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year RMB	Over 1 year RMB
At 31 December 2021	—	—	—	—
At 31 December 2020	321,639,810	329,437,712	323,041,880	6,395,832

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than cash and cash equivalents (note 22), restricted bank deposits (note 21), accounts receivable (note 18), and lease liabilities (note 27), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate cash and cash equivalent, and structured bank deposit. Cash and cash equivalent, and structured bank deposits floating rates expose the Group to cash flow interest rate risk. Lease liabilities expose the Group to fair value interest rate risk.

At 31 December 2021, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year (through the impact on the Group's cash and cash equivalents and structured bank deposit which are subject to floating interest rate) by approximately RMB741,746 (2020: RMB710,107). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's profit for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. All the financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and the subsidiaries in the PRC to which these transactions relate and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(e) Fair value risk

The fair value of financial assets and financial liabilities in determined based on discounted cash flow analysis. The directors of the Company considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

(f) Other price risk

The Group is exposed to price risk through its investment in listed equity instrument. The Group's price risk is mainly concentrated on equity instrument listed in The National Equities Exchange and Quotations.

39. SUBSEQUENT EVENTS

On 30 September 2021, Zhuhai Fullin Yunlian Investment and Management Co., Ltd., the Group's wholly-owned subsidiaries, has entered into an second subscription agreement with a related party – Shanghai KYMS, which it has conditionally agreed to subscribe for the Further Subscription Shares, representing 14.35% of the issued share capital of Shanghai KYMS at the Subscription Price of RMB34,465,139.28. The transaction is not yet completed until the date of issuance of the consolidated financial statements. Please refer to the Company's announcement dated 30 September 2021 for details.

40. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 30 March 2022.

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

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