Baiying Holdings Group Limited
百應控股集團有限公司

Annual Report

2021

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8525

CHARACTERISTICS OF GEM

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

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

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 respects 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

DIRECTORS

Executive Directors

Mr. Zhou Shiyuan *(Chairman)*
Mr. Chen Xinwei
Mr. Huang Dake

Non-executive Director

Mr. Ke Jinding

Independent Non-executive Directors

Mr. Chen Chaolin
Mr. Tu Liandong
Mr. Xie Mianbi

AUDIT COMMITTEE

Mr. Tu Liandong *(Chairman)*
Mr. Chen Chaolin
Mr. Ke Jinding

REMUNERATION COMMITTEE

Mr. Chen Chaolin *(Chairman)*
Mr. Xie Mianbi
Mr. Huang Dake

NOMINATION COMMITTEE

Mr. Zhou Shiyuan *(Chairman)*
Mr. Tu Liandong
Mr. Xie Mianbi

JOINT COMPANY SECRETARIES

Ms. Wang Yingqin (appointed on 10 November 2021)
Ms. Ng Ka Man *(ACG, HKACG)*

AUTHORISED REPRESENTATIVES

Mr. Huang Dake
Ms. Ng Ka Man

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER/PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 1, 30/F
No. 77, Tai Nan Road
Siming District, Xiamen
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

COMPANY WEBSITE

www.byleasing.com

STOCK CODE

8525

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS TO THE COMPANY

Llinks Law Offices LLP
(as to Hong Kong laws)
Beijing Yingke Law Firm (Xiamen) Office
(as to PRC laws)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China (Dongdu Branch)
No. 77 Dongdu Road
Siming District, Xiamen
Fujian Province
PRC

China Everbright Bank (Xiamen Branch)
China Everbright Bank Building
No. 81 Hubin South Road
Siming District, Xiamen
Fujian Province
PRC

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Financial Summary

The following is a summary of the results of our Group for each of the years ended 31 December 2017, 2018, 2019, 2020 and 2021 and the assets and liabilities of our Group as of 31 December 2017, 2018, 2019, 2020 and 2021.

RESULTS

	Year ended 31 December				
	2017 *RMB'000*	2018[2] *RMB'000*	2019[1] *RMB'000*	2020 *RMB'000*	**2021** ***RMB'000***
Revenue	60,808	78,967	54,553	32,078	**38,625**
(Loss)/Profit before tax	27,408	31,807	25,973	9,950	**(9,299)**
Income tax credit/(expense)	(6,719)	(8,626)	(6,815)	(3,622)	**2,206**
(Loss)/profit for the year	20,689	23,181	19,158	6,328	**(7,093)**
ASSETS AND LIABILITIES					
Total assets	657,783	519,297	441,143	396,229	**357,396**
Total liabilities	475,311	248,992	156,884	105,319	**75,767**
Net assets	182,472	270,305	284,259	290,910	**281,629**

Notes:

(1) As a result of the adoption of HKFRS 16, Leases, with effect from 1 January 2019, our Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, our Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.

(2) Our Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, from 1 January 2018. As a result, our Group changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, our Group did not restate information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognized in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

The summary of assets and liabilities of our Group as of 31 December 2017 and the summary of the results of our Group for the year ended 31 December 2017 has been extracted from the Prospectus.

Chairman's Statement

Dear Shareholders,

Despite facing severe challenges in 2021 as a result of the re-emergence of the COVID-19 pandemic and its variant such as Delta and Omicron, as well as challenging and ever-changing domestic and international economic conditions, we remain determined in striving towards our goal.

Our Group is engaged in the provision of equipment-based financing solutions, commercial factoring and advisory services to SMEs and individual entrepreneurs, and provision of financing support for the real economy and the support of the rapid development of SMEs. Whilst China's economic recovery continues to broaden in the first half of 2021 as economic activity continues to normalize, such economic growth had lost some steam towards the final months of the year. SMEs have also been weighed down by rising raw material costs and new COVID-19 outbreaks, and ensnared by China's unprecedented regulatory clampdowns on various sections ranging from gaming, technology, education to real estate, which has decelerated the recovery of many SMEs in China. In face of the increasingly challenging business environment in the China, rising operational risks and increased restrictions to production and operation conditions, the total business volume and capital needs of some of our potential customers have continued to decline. Coupled with to the restrictions imposed pursuant to the implementation of the Interim Measures for Supervision and Administration of Financial Leasing Companies* (融資租賃公司監督管理暫行辦法), our business volume and revenue has declined in 2021.

Faced with the complex business environment and uncertainty surrounding the global pandemic, whilst continuing to focus on our financial leasing business, we have also made attempts to diversify our revenue sources into other fields and adapt to the changing business landscape. In April 2020, we established Qiaoxin, a condiment producer focusing on vinegar manufacturing, aiming to exploit the huge market potential of China's vinegar industry. Since its establishment, we have successively carried out factory construction, equipment installation and debugging, brand sorting and team building, etc., making active preparations for production and launch. Our new factory was put into trial production in December 2021. Qiaoxin is expected to be fully operational in the second quarter of 2022. In the new year, we will successively complete various approval procedures before the official production of Qiaoxin. Efforts will be made to expand sales channels, promote the marketing and circulation of products, and build a new brand image for Qiaoxin, which will inject new vitality into the development of the Group.

We also established Baiying Paper, a company engaged in packaging and paper products trading, in January 2021 to build a bridge between downstream customers and upstream paper companies, and carry out trade activities. Due to the growing online consumption and measures such as the ban on waste products and plastics in China, the demand for paper packaging materials and the market price of various paper products continued to rise. We believe that the industry has certain market potential, so we made a small attempt with a cautious attitude.

In terms of corporate governance, we have continuously improved and strengthened management under the guidance of the Stock Exchange and the supervision of the Board. We have actively communicated with all parties whether in daily business or regular reports, and adjusted and learned from all aspects, thus promoting an in-depth understanding and practice of the compliance concept for all of us, and making the Company's business more standardized.

Looking forward to 2022, although the global epidemic development trend is not clear, due to the great success of the fight against the pandemic, our country's economy is expected to continue to show a strong recovery trend. In conjunction with the government's fiscal and monetary policies, it will continue to drive China's economy from a structural recovery to a comprehensive recovery in the linkage of supply and demand. We will also seize all opportunities and give full play to our advantages to develop leasing business steadily. Meanwhile, we will promote the growth and development of Qiaoxin. We will launch high-quality products in the edible vinegar industry, grow brand audience, and strive to create better performance to bring higher returns to shareholders.

Baiying Holdings Group Limited
Zhou Shiyuan
Chairman and Executive Director

24 March 2022

Management Discussion and Analysis

Industry Overview

China's finance leasing industry has experienced rapid growth since 2012. Along with the industrial reform and equipment upgrade in China, the steady growth of China's fixed-asset investment volume creates a greater potential for the development of the finance leasing industry. Fujian Province has become one of the fastest developing provinces for the finance leasing industry in China. In 2016, the Opinions on Promoting the Development of the Finance Leasing Industry (關於促進融資租賃業發展的意見) has implemented effective measures on taxation and environment for development to support the finance leasing industry in Fujian Province. A series of favorable policies issued by the government of Fujian Province encouraged the development of the finance leasing industry in Fujian Province in recent years.

In terms of the paper packaging industry in China, the Chinese government has promoted various supply side economic and environmental development reforms in recent years which has tightened supply and caused the average price of raw paper to remain high. Yet the paper packaging market in China has been maintaining steady growth accentuated by the key factors including rapid development of e-commerce with the rise of e-commerce giants, promulgation of measures mandating bans on waste products and plastics and growth in domestic demand for basic necessities. While the on-going COVID-19 pandemic has had an unprecedented toll on the global economy, customer demand has gradually recovered as a result of China's effective pandemic prevention and control policies. It is expected that the change in consumer spending habits and the prominence of e-commerce will continue to drive steady growth in the paper packaging industry.

Business Overview

We are primarily a finance leasing company in Fujian Province dedicated to providing equipment-based financing solutions to our customers. We provide customized services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Our customers are mainly SMEs and entrepreneurial individuals, and also include reputable large enterprises. While our Group remains focused in developing the finance leasing business and factoring business, we also actively look for opportunities to expand into other areas of business. On 23 April 2020, we established Qiaoxin, a vinegar manufactory in the PRC to diversify our business. As of 31 December 2021, Qiaoxin has not yet commenced business. On 13 January 2021, we also established Baiying Paper to expand our business portfolio into the packaging and paper products trading industry. These new businesses will not affect our financial services business.

We served 225 customers located in 25 provinces in China for the year ended 31 December 2021. Our revenue increased from RMB32.1 million for the year ended 31 December 2020 to RMB38.6 million for the year ended 31 December 2021. We recorded a net loss of approximately RMB7.1 million for the Reporting Period, as compared with a net profit of RMB6.3 million for the year ended 31 December 2020. We will continue to enhance our finance leasing business and take the opportunity of the upgrade and replacement of the manufacturing equipment to promote our operational quality and business growth by promoting the direct lease business, sale-leaseback business and factoring services. We also plan to strengthen our sales and marketing abilities in major cities of the Yangtze River Delta and the Pearl River Delta.

Financial Services

Finance Leasing Services

We primarily offered two types of finance leasing services, namely, direct finance leasing and sale-leaseback, to our customers. Direct finance leasing is mainly used to satisfy the need of our customers to commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment. Sale-leaseback is primarily used by our customers to fund their business operations. Through sale-leaseback, our customers sell the assets, of which they have the ownership, to us to finance their working capital and then we lease the sold assets back. We usually enter into financial leasing agreements with our customers which sets out major terms such as the leased asset concerned, purchase price of the leased asset, term of the lease, the payment schedule of the lease payments, security deposit (if any), management fee (if any), transfer of title clause and insurance for the leased asset, which will usually be paid by our customers. In addition, depending on the credit profile of our customers, we may require our customers to provide other collaterals, such as immovable property. For the year ended 31 December 2021, our revenue from finance leasing services was RMB18.5 million, accounting for 47.8% of our total revenue.

The following table sets forth average monthly balance of the interest-generating receivables arising from finance leasing services and the range of corresponding effective interest rate for the years indicated:

	For the year ended 31 December	
	2021	2020
Average monthly balance of interest-generating receivables arising from finance leasing services *(RMB'000)*		
– Direct finance leasing	**17,908**	20,882
– Sale-leaseback	**119,184**	185,998
Range of interest rate per annum		
– Direct finance leasing	**10.5% to 18.1%**	11.0% to 20.9%
– Sale-leaseback	**9.5% to 20.8%**	11.0% to 20.8%

The following tables set forth the credit quality analysis of our finance lease receivables as of the date indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Neither overdue nor credit-impaired	**15,617**	25,938
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	**115**	3,420
– Overdue 30 to 90 days (inclusive)	**76**	–
– Overdue above 90 days	**–**	–
Overdue and credit-impaired	**67,266**	101,547
Net amount of finance lease receivables	**83,074**	130,905
Allowances for impairment losses	**(27,967)**	(26,002)
Carrying amount of finance lease receivables	**55,107**	104,903

Our net amount of finance lease receivables classified as overdue and credit-impaired decreased from RMB101.5 million as of 31 December 2020 to RMB67.3 million as of 31 December 2021 because (i) settlement of five default agreements and the collection of net amount of finance lease receivables of RMB21.4 million; and (ii) the net amount of finance lease receivables of six default agreements of RMB12.2 million are written off.

The following table sets forth the credit quality analysis of receivables from sale-leaseback transactions as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Neither overdue nor credit-impaired	**107,000**	127,831
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	**2,127**	–
– Overdue 30 to 90 days (inclusive)	**–**	41,312
– Overdue above 90 days	**–**	–
Overdue and credit-impaired	**11,969**	9,288
Allowances for impairment losses	**(9,911)**	(11,651)
Carrying amount of receivables from sale-leaseback transaction	**111,185**	166,780

Our receivables from sale-leaseback transaction classified as overdue and credit-impaired increased because one agreement was overdue for more than 90 days.

The allowances for impairment losses of finance lease receivables and receivables from sale-leaseback transaction were provided on expected credit loss model. The following tables set forth our loss allowance as of the dates indicated:

	As of 31 December 2021			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Net amount of finance lease receivables	**15,732**	**76**	**67,266**	**83,074**
Allowances for impairment losses	**(441)**	**(6)**	**(27,520)**	**(27,967)**
Carrying amount of finance lease receivables	**15,291**	**70**	**39,746**	**55,107**
Receivables from sale-leaseback transaction	**109,127**	**–**	**11,969**	**121,096**
Allowances for impairment losses	**(2,635)**	**–**	**(7,276)**	**(9,911)**
Carrying amount of receivables from sale-leaseback transaction	**106,492**	**–**	**4,693**	**111,185**

	As of 31 December 2020			
	12-month ECL *RMB'000*	Lifetime ECL not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Net amount of finance lease receivables	29,358	–	101,547	130,905
Allowances for impairment losses	(625)	–	(25,377)	(26,002)
Carrying amount of finance lease receivables	28,733	–	76,170	104,903
Receivables from sale-leaseback transaction	127,831	41,312	9,288	178,431
Allowances for impairment losses	(2,663)	(4,092)	(4,896)	(11,651)
Carrying amount of receivables from sale-leaseback transaction	125,168	37,220	4,392	166,780

Factoring Services

In addition to finance leasing services, we also provided factoring services to our customers. Factoring service is primarily used by our customers who need working capital to fund their business operations. Shanghai Baiying, a company established in Shanghai, the PRC, lays a foundation for the development of our factoring services and expansion in the Yangtze River Delta Region.

For the year ended 31 December 2021, our revenue from factoring services was RMB2.3 million, accounting for 6.0% of our total revenue.

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

	For the year ended 31 December	
	2021	2020
Average monthly balance of factoring receivables *(RMB'000)*	**31,300**	20,667
Range of interest rate	**8.0% to 15.6%**	10.0% to 15.6%

The following tables set forth our loss allowance as of the dates indicated:

	As of 31 December 2021			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired *RMB'000***	**Lifetime ECL credit-impaired *RMB'000***	**Total *RMB'000***
Factoring receivables	**33,108**	**–**	**2,483**	**35,591**
Allowances for impairment losses	**(903)**	**–**	**(1,125)**	**(2,028)**
Carrying amount of factoring receivables	**32,205**	**–**	**1,358**	**33,563**

	As of 31 December 2020			
	12-month ECL *RMB'000*	Lifetime ECL not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Factoring receivables	7,753	–	–	7,753
Allowances for impairment losses	(216)	–	–	(216)
Carrying amount of factoring receivables	7,537	–	–	7,537

Advisory Services

Leveraging our experience in arranging finance leases for our customers, we also provide advisory services with regard to project coordination, contract drafting and negotiation, project management, project financing and its compliance with relevant regulatory requirements. For the year ended 31 December 2021, our revenue from advisory services was RMB0.2 million, accounting for 0.6% of our total revenue. Such revenue came from one advisory service agreement, which we entered into with one of our customers, involving a construction project, with a total investment of approximately RMB1,142 million. We charged 1.0% of the project progress payment which our customer received for our advisory services.

Lease Portfolio

Lease Portfolio by Industry

The following table sets forth our net amount of receivables arising from finance leasing services by industry as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	*%*
Manufacturing	**61,373**	**30.1**	99,495	32.2
Wholesale and retail	**50,451**	**24.7**	59,961	19.4
Services[(1)]	**43,472**	**21.3**	33,485	10.8
Construction	**30,498**	**14.9**	49,939	16.1
Transportation, storage and postal	**8,330**	**4.1**	16,083	5.2
Real estate	**–**	**–**	40,504	13.1
Others[(2)]	**10,047**	**4.9**	9,869	3.2
Net amount of receivables arising from finance leasing services	**204,171**	**100**	309,336	100

Notes:

(1) Include equipment leasing, commercial services, software and information technology services.

(2) Include water, environment, public facilities management and electricity, heat, gas and water production and supply industries.

Lease Portfolio by Exposure Size

We primarily offered equipment-based finance leases, the terms of which generally ranged from 12 to 36 months, and the size of which generally ranged from RMB0.1 million to RMB40.0 million. The following table sets forth net amount of our receivables arising from finance leasing services by exposure size as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	*%*
Up to RMB1.0 million	**16,328**	**8.0**	22,041	7.1
Over RMB1.0 million to RMB3.0 million (inclusive)	**24,475**	**12.0**	27,824	9.0
Over RMB3.0 million to RMB5.0 million (inclusive)	**23,520**	**11.5**	34,806	11.3
Over RMB5.0 million to RMB30.0 million (inclusive)	**107,268**	**52.5**	191,951	62.1
Over RMB30.0 million[(1)]	**32,580**	**16.0**	32,714	10.5
Net amount of receivables arising from finance leasing services	**204,171**	**100**	309,336	100

Note:

(1) The net amount of receivables arising from finance leasing services over RMB30.0 million as of 31 December 2020 and 2021 related to one finance leasing agreement as of each year.

Lease Portfolio by Security

The following table sets forth net amount of our receivables arising from finance leasing services by security as of the dates indicated:

	As of 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	*%*
Guaranteed leases	**104,041**	**51.0**	106,818	34.5
Supplier-backed leases	**14,408**	**7.1**	17,744	5.8
Collateral-backed leases with guarantee	**65,509**	**32.0**	182,848	59.1
Collateral-backed leases	**20,213**	**9.9**	–	–
Collateral-backed leases with guaranteed and supplier-backed	**–**	**–**	1,236	0.4
Guaranteed and supplier-backed leases	**–**	**–**	690	0.2
Net amount of receivables arising from finance leasing services	**204,171**	**100**	309,336	100

Packaging and Paper Products Trading

We conducted our packaging and paper products trading business through Baiying Paper since January 2021. For the year ended 31 December 2021, the products we sold to our customers were packaging paper and all of our customers were in the paper industry.

For the year ended 31 December 2021, the revenue from sales of packaging and paper products was RMB17.6 million, accounting for 45.6% of our total revenue.

The cost of sales of packaging and paper products was RMB17.1 million for the year ended 31 December 2021 mainly consisting of the procurement cost of RMB17.1 million.

For the year ended 31 December 2021, a loss of packaging and paper products trading business was RMB15,020.

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2021:

Key requirements	**Compliance status**
A foreign-funded finance leasing company shall not provide in any form of direct or indirect financing for local governments' financing platform companies that undertake public welfare duties.	Our Group complied with such requirement for the year ended 31 December 2021.
The total assets of the foreign investor(s) of a foreign-funded finance leasing company shall not be less than US$5 million and the foreign investor(s) shall not be in insolvency and ordinarily shall have been existed more than one year.	Our Group complied with such requirement for the year ended 31 December 2021.
The registered capital of a foreign-funded finance leasing company shall not be less than US$10 million and the proportion of the foreign investment shall not be lower than 25%.	Our Group complied with such requirement for the year ended 31 December 2021.
A foreign-funded finance leasing company shall have professional staff. Its senior management team shall have professional qualifications and no less than three years of experience in the relevant industries.	Our Group complied with such requirement for the year ended 31 December 2021.
The term of operation of a foreign-funded finance leasing company shall generally not exceed 30 years.	Our Group complied with such requirement for the year ended 31 December 2021.
A foreign-funded finance leasing company shall contain the words "finance leasing" (融資租賃) in its corporate name and shall not contain the words "financial lease" (金融租賃) in its corporate name or its business scope.	Our Group complied with such requirement for the year ended 31 December 2021.
A finance leasing company can conduct guarantee business only in relation with its leasing transactions, but shall not contain the word "guarantee" in its corporate name and shall not take guarantee business as its main business.	Our Group complied with such requirement for the year ended 31 December 2021.

Key requirements	Compliance status
A finance leasing company shall not engage in deposit taking (吸收存款), lending (發放貸款), entrusted lending (受託發放貸款), and without the approval of the competent authority, shall not engage in inter-bank borrowing and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances. As a general practice and according to the Measures for the Administration of Entrusted Loans of Commercial Banks (商業銀行委託貸款管理辦法) and General Rules for Loans (貸款通則), a company is allowed to entrust a commercial bank to provide loans to a third party.	Our Group complied with such requirement for the year ended 31 December 2021.
A finance leasing company shall not accept any property to which a lessee has no disposal rights or on which any mortgage has been created, or which has been sealed or seized by any judicial organs, or whose ownership has any other defects as the subject matter of a sale-leaseback transaction.	Our Group complied with such applicable requirement for the year ended 31 December 2021.
Risk assets of a finance leasing company shall not exceed eight times of its total net assets. The portion of assets under finance leasing and other leasing of a finance leasing company shall not be less than 60% of its total assets. The fix-income securities investment business carried out by a finance leasing company shall not exceed 20% of its net assets. The aggregate balance of the financial leasing businesses conducted by the financial leasing company with a single lessee or a single related party shall not exceed 30% of its net assets. The aggregate balance of the financial leasing businesses conducted by the financial leasing company with all related parties shall not exceed 50% of its net assets. The balance of financing with a single shareholder and its related parties shall not exceed the shareholder's capital contribution to the financial leasing company and the aggregate balance of the financial leasing businesses conducted by the financial leasing company with such shareholder shall not exceed 30% of its net assets.	Our Group complied with such requirement for the year ended 31 December 2021.

Financial Overview

Results of Operations

Revenue

Our revenue consists of interest income, advisory fee income and income from sales of packaging and paper products.

During the Reporting Period, our interest income consisted of interests in installments and one-time management fees received from our finance leasing and factoring services, and our advisory fee income represented the advisory fees received from our value-added advisory services, and all of our income from packaging and paper products trading business were driven from sales of packaging paper. The following table sets forth our revenue by service type for the years indicated:

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest Income:		
Finance leasing services		
– Direct finance leasing	**2,428**	2,315
– Sale-leaseback	**16,040**	26,616
Factoring services	**2,297**	2,371
Advisory Fee Income:		
Advisory services	**236**	776
Income from packaging and paper products trading Business:		
Sales of packaging paper	**17,624**	–
Total	**38,625**	32,078

Our revenue increased from RMB32.1 million for the year ended 31 December 2020 to RMB38.6 million for the year ended 31 December 2021 mainly due to the income from our sales of packaging paper of RMB17.6 million, which was partially offset by (i) a decrease in our finance leasing business; (ii) a decrease in the advisory fee income from an advisory service agreement as a result of the collection of most of the fees under such agreement in the past.

Other Net Income

Our other net income mainly consists of net gain arising from derecognition of financial assets measured at amortised cost, interest income from loans to related parties, government grants and interest income from deposits with financial institutions.

Our other net income increased from RMB2.3 million for the year ended 31 December 2020 to RMB4.6 million for the year ended 31 December 2021 primarily due to net gain arising from derecognition of financial assets measured at amortised cost of RMB3.1 million from asset disposal, which was partially offset by the decrease in government grant recognised in the consolidated statement of profit or loss of RMB0.7 million.

Interest Expense

Interest expenses mainly consist of interest expenses on our interest-bearing borrowings and imputed interest expense on interest-free guaranteed deposits from lessees. We incur interest expenses on borrowings which are principally used to fund our finance leasing business.

Our gearing ratio was 0.15 times as of 31 December 2020 and 0.1 times as of 31 December 2021. The gearing ratio is a measure of financial leverage. It represents total interest-bearing borrowings divided by total equity as of 31 December 2021.

Our interest expenses decreased from RMB6.7 million for the year ended 31 December 2020 to RMB4.3 million for the year ended 31 December 2021 mainly due to the decrease in average monthly balance of loans.

Operating Expenses

Our operating expenses primarily consist of staff cost, legal expenses, depreciation, consulting expenses, amortization and auditor's remuneration. The table below sets forth the components of our operating expenses by nature for the years indicated:

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Staff cost	**6,733**	5,173
Legal expenses	**1,084**	945
Business travel and transportation expenses	**498**	454
Amortisation cost of intangible assets	**90**	90
Depreciation charge		
– owned property, plant and equipment	**197**	180
– right-of-use assets	**807**	869
Auditor's remuneration		
– audit services	**660**	660
– other services	**340**	400
Property management expenses	**288**	272
Consulting expenses	**622**	1,887
Sundry expenses	**3,026**	3,077
Total operating expenses	**14,345**	14,007

Our operating expenses increased from RMB14.0 million for the year ended 31 December 2020 to RMB14.3 million for the year ended 31 December 2021 mainly due to the increase in staff cost of RMB1.6 million, which was partially offset by the decrease in consulting expense of RMB1.3 million.

Impairment Losses Charged

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

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance lease receivables	**14,038**	(386)
Trade and other receivables	**(21)**	199
Loans and receivables	**91**	6,680
Total impairment losses charged	**14,108**	6,493

Our impairment losses charged increased primarily due to the combined effect of (i) the increase in the risk of recovery of three default agreements leading to the increase in provision ratio; and (ii) settlement of eight default agreements.

Income Tax Credit/(Expense)

We recorded an income tax expense of RMB3.6 million for the year ended 31 December 2020 and income tax credit of RMB2.2 million for the year ended 31 December 2021 primarily because we recorded a pre-tax loss.

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

(Loss)/profit for the year

We recorded a profit of RMB6.3 million for the year ended 31 December 2020 and a loss of RMB7.1 million for the year ended 31 December 2021 mainly because (i) the increase in impairment loss provision; and (ii) the fair value of the net realised and unrealised profit/(loss) on financial assets at fair value through profit or loss has decreased. Our net profit margin decreased from 19.7% to -18.4% during the same period.

Liquidity and Capital Resources

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

Cash Flows

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

	For the year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents at beginning of the year	**26,245**	71,299
Net cash flows generated from operating activities	**51,032**	42,544
Net cash flows used in investing activities	**(35,099)**	(45,111)
Net cash flows used in financing activities	**(23,071)**	(42,809)
Net decrease in cash and cash equivalents	**(7,138)**	(45,376)
Effect of foreign exchange rate changes	**39**	322
Cash and cash equivalents at end of the year	**19,146**	26,245

Net cash flows generated from operating activities

For the year ended 31 December 2021, we had net cash generated from operating activities of RMB51.0 million, primarily as a result of operating profit before changes in working capital of RMB10.0 million and the positive effect of the changes in working capital, which consisted of: (i) the increase in cash of RMB35.8 million as a result of the decrease in our direct finance leasing business; (ii) the decrease in cash of RMB14.3 million as a result of the decrease in trade and other liabilities; and (iii) the increase in cash of RMB29.5 million as a result of the decrease in the loan and receivables for the factoring business and sale-leaseback transactions.

Net cash flows used in investing activities

For the year ended 31 December 2021, our net cash used in investing activities was RMB35.1 million. Our net cash inflow used in investing activities mainly consisted of: (i) the payments for acquisition of investments of RMB307.0 million; (ii) the payment for purchase of property and equipment of RMB46.6 million; and (iii) the advances to related parties provided by us of RMB8.3 million, partially offset by (i) the proceeds from disposal and redemption of investments of RMB315.6 million; and (ii) the repayment from related parties of RMB8.7 million.

Net cash flows used in financing activities

Our cash flows used in financing activities mainly consist of repayment of borrowings, proceeds from borrowings and dividends paid to equity shareholders of the company.

For the year ended 31 December 2021, our net cash flows used in financing activities was RMB23.1 million. Our net cash flows used in financing activities consisted of: (i) dividends paid to equity shareholders of the company of RMB4.5 million; (ii) the repayment of bank borrowings of RMB59.8 million, partially offset by proceeds from borrowings of RMB42.1 million.

Selected Items of the Consolidated Statements of Financial Position

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current assets		
Finance lease receivables	**3,197**	5,577
Loans and receivables	**50,432**	62,673
Trade and other receivables	**223**	68
Property and equipment	**70,190**	22,336
Financial assets at fair value through profit or loss	**181**	–
Intangible assets	**438**	528
Deferred tax assets	**13,744**	8,403
Total non-current assets	**138,405**	99,585
Current assets		
Finance lease receivables	**51,910**	99,327
Cash and cash equivalents	**19,146**	26,245
Trade and other receivables	**12,319**	6,110
Loans and receivables	**94,316**	111,644
Pledged and restricted deposits	**–**	1,743
Inventories	**851**	–
Financial assets at fair value through profit or loss	**40,449**	51,575
Total current assets	**218,991**	296,644
Current liabilities		
Borrowings	**17,733**	44,807
Trade and other liabilities	**26,164**	32,887
Income tax payable	**3,579**	4,273
Lease liabilities	**786**	356
Deferred income	**2,154**	–
Total current liabilities	**50,416**	82,323
Net current assets	**168,575**	214,321
Non-current liabilities		
Borrowings	**9,400**	–
Trade and other liabilities	**14,765**	22,346
Lease liabilities	**1,186**	–
Deferred tax liabilities	**–**	650
Total non-current liabilities	**25,351**	22,996
Net assets	**281,629**	290,910

Our total current assets decreased from RMB296.6 million as of 31 December 2020 to RMB219.0 million as of 31 December 2021 primarily due to (i) the decrease in the carrying amount of receivables arising from finance leasing services of RMB90.8 million; (ii) the decrease in financial assets at fair value through profit or loss of RMB11.1 million; (iii) the decrease in the cash and cash equivalent of RMB7.1 million. Such decrease was partially offset by (i) the increase in factoring receivables of RMB36.1 million; and (ii) the increase in trade and other receivables of RMB6.2 million.

Our total current liabilities decreased from RMB82.3 million as of 31 December 2020 to RMB50.4 million as of 31 December 2021 primarily due to (i) the decrease in bank borrowings of RMB27.1 million; and (ii) the decrease in trade and other liabilities of RMB6.7 million.

Our net assets decreased from RMB290.9 million as of 31 December 2020 to RMB281.6 million as of 31 December 2021 mainly due to the decrease in our total current assets.

Finance Lease Receivables

Carrying amount of our finance lease receivables decreased from RMB104.9 million as of 31 December 2020 to RMB55.1 million as of 31 December 2021 mainly because of the decrease in our direct finance leasing business. For the year ended 31 December 2021, all of our finance lease receivables were charged by fixed interest rates.

Loans and Receivables

Our loans and receivables mainly consist of our sale-leaseback transactions and factoring transactions. We recorded loans and receivables of RMB144.7 million for the year ended 31 December 2021 mainly consist of (i) the receivables from sale-leaseback transactions of RMB111.2 million; and (ii) the factoring transaction of RMB33.5 million.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits with banks. Our cash and cash equivalents decreased from RMB26.2 million as of 31 December 2020 to RMB19.1 million as of 31 December 2021.

Trade and Other Liabilities

Our trade and other liabilities mainly include guaranteed deposits from lessees, accrued staff costs, VAT payable and other tax payable, and other payables. The following table sets forth our trade and other liabilities as of the dates indicated:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Guaranteed deposits from lessees	**19,415**	27,616
VAT payable and other tax payable	**9,888**	10,984
Accounts payable	**431**	481
Accrued staff costs	**2,167**	1,803
Receipts in advance	**134**	134
Accrued liabilities	**772**	805
Trade payable	**564**	–
Notes payables	**–**	8,716
Other payables	**7,558**	4,694
Total trade and other liabilities	**40,929**	55,233

Our trade and other liabilities decreased from RMB55.2 million as of 31 December 2020 to RMB40.9 million as of 31 December 2021. The decreased is mainly due to the combined effect of (i) the decrease in our finance leasing business resulting in a decrease in guaranteed deposits from lessees of RMB8.2 million and VAT payable and other tax payable of RMB1.1 million; (ii) the decrease in notes payable of RMB8.7 million; and (iii) the increase in other payables of RMB2.9 million.

Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2021, our financial assets at fair value primarily consisted of wealth management products, listed securities and unlisted equity investment.

We invest in wealth management products, listed securities and unlisted equity investment with our paid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investment to effectively manage the investment procedures. All these investment activities are subject to applicable laws and regulations. As of 31 December 2021, the balance of wealth management products, listed securities and unlisted equity investment were RMB32.2 million, RMB8.2 million and RMB0.2 million, respectively.

Indebtedness

Interest-bearing bank borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 31 December	
	2021	2020
	***RMB'000*[(1)]**	*RMB'000*
Bank borrowings:		
– within one year	**17,733**	44,807
– after one year but within two years	**9,400**	–
Total	**27,133**	44,807

Note:

(1) As of 31 December 2021, RMB13.7 million of the borrowings were guaranteed by Septwolves Group Holding and RMB13.4 million of the borrowings were guaranteed by Fujian Septwolves Group.

Contingent Liabilities

As of 31 December 2021, we have no contingent liability.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for the purchase of construction in progress. The following table sets forth our capital expenditures for the years indicated:

	For the year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Capital expenditures	**46,477**	21,644

Capital Commitments

As at 31 December 2021, the Group has outstanding commitments, contracted but not provided for in the financial statement, in respect of the unlisted equity investment to Jingong New Energy, amounted to RMB5,000,000, which accounted for 5% to its total capital. The Group has paid RMB2,500,000 on 6 January 2022. The company is mainly engaged in the manufacturing and sale of new energy construction machinery in the PRC.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates or for the years indicated:

	As of/for the year ended 31 December	
	2021	2020
Return on equity(1)	**-2.5%**	2.2%
Return on assets(2)	**-2.0%**	1.6%
Net profit margin(3)	**-18.4%**	19.7%
Debt to equity ratio(4)	**0.03x**	0.06x
Gearing ratio(5)	**0.10x**	0.15x
Net interest spread for finance leasing business(6)	**3.6%**	4.8%
Net interest spread for factoring business(7)	**7.3%**	11.4%
Net interest margin(8)	**9.8%**	10.8%

Notes:

(1) Return on equity represents profit for the year by total equity as of the end of such year.

(2) Return on assets represents profit for the year by total assets as of the end of such year.

(3) Net profit margin represents profit for the year divided by revenue for the relevant year.

(4) Debt to equity ratio represents total interest-bearing borrowings, less cash and cash equivalents, divided by total equity as of the end of such year.

(5) Gearing ratio represents total interest-bearing borrowings divided by total equity as of the end of such year.

(6) Net interest spread for finance leasing business represents the difference between the interest income yield for finance leasing business and the interest expenses yield for finance leasing business.

(7) We utilized our own capital for factoring services and did not incur interest expenses for factoring services during the year. Therefore, the net interest income equals to the interest income and the net interest spread equals to the interest income yield for factoring services.

(8) Net interest margin is calculated by dividing net interest income by average monthly balance of the receivables related to our finance leasing services and factoring services and multiplied by 100%.

The net profit margin shows the amount of the revenue that translates into profit. Our net profit margin decreased from 19.7% for the year ended 31 December 2020 to -18.4% for the year ended 31 December 2021 primarily due to (i) the prolonged disposal of non-performing assets as a result of the COVID-19 pandemic leading to increased risk of recovery and increase in allowance for impairment loss; and (ii) the fair value of the net realised and unrealised profit/(losses) on financial assets at fair value through profit or loss has decreased.

The debt to equity ratio identifies companies' leverage and risk for investors. Our debt to equity ratio decreased from 0.06 times as of 31 December 2020 to 0.03 times as of 31 December 2021, which is primarily attributable to a decrease of RMB10.6 million in used bank borrowings.

The gearing ratio is a measure of financial leverage. Our gearing ratio decreased from 0.15 times as of year ended 31 December 2020 to 0.10 times as of 31 December 2021 mainly due to the decrease of RMB17.7 million in bank borrowings.

The net interest margin indicates the efficiency of our funds invested in our finance leasing services and factoring services. Our net interest margin decreased from 10.8% as of 31 December 2020 to 9.8% as of 31 December 2021 primarily because of the decrease in the profitability of our factoring and financial leasing services.

Foreign Currency Exposure

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

MATERIAL INVESTMENTS, ACQUISITION AND DISPOSALS

Formation of Baiying Paper

On 13 January 2021, Xiamen Baiying entered into a joint venture agreement with Mr. Tu Jinfeng (塗錦鋒) ("**Mr. Tu**"), pursuant to which the parties agreed to establish Baiying Paper as a joint venture company. Baiying Paper principally engaged in packaging and paper products trading business in the PRC. Xiamen Baiying agreed to contribute RMB16.5 million, being 55% of the proposed registered capital of the joint venture company, and Mr. Tu agreed to contribute RMB13.5 million, being 45% of the registered capital of the joint venture company.

For more details, please refer to the announcement of the Company dated 13 January 2021. On the same day, the above formation of Baiying Paper was completed.

Formation of Jingong New Energy

On 23 November 2021, Xiamen Baiying entered into a capital contribution agreement with Jingong Machinery and Xiamen Qifeng Investment Partnership* (廈門啟峰投資合夥企業), pursuant to which the parties agreed to establish Fujian Jingong New Energy Technology Co., Ltd. (福建晉工新能源科技有限公司) ("**Jingong New Energy**") in the PRC. Jingong Machinery agreed to contribute RMB55 million (equivalent to approximately HK$67.1 million), being 55% of the registered capital of Jingong New Energy; Xiamen Qifeng Partnership agreed to contribute RMB40.0 million (equivalent to approximately HK$48.8 million), being 40% of the registered capital of Jingong New Energy; and Xiamen Baiying agreed to contribute RMB5.0 million (equivalent to approximately HK$6.1 million), being 5% of the registered capital of Jingong New Energy. Jingong New Energy is principally engaged in the manufacturing and sale of new energy construction machinery in the PRC.

For more details, please refer to the section headed "Connected Transactions and Continuing Connected Transactions" in this report and the announcement of the Company dated 23 November 2021.

Save as disclosed above, we did not have any material investments, acquisition or disposal for the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank borrowings we obtained from commercial banks and save as disclosed in the section headed "Events after the Reporting Period" of this Report, we have no future plans for investments or external financing.

EMPLOYMENT AND EMOLUMENTS

As of the date of this annual report, our Group had 43 full time employees, who are all based in China. Our employees' remuneration was paid with reference to their individual responsibility and performance, as well as the actual practice of the Company. We have made contributions to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing funds for our employees. As of the date of this annual report, we had complied with all applicable PRC laws and regulations in all material aspects.

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

In 2021, we continued to give online training to our employees. In order to make the training more targeted and quantifiable, the Company opened an educational resource account on the education platform to share with all employees, the content of which covers financial, negotiation, business etiquette, management skills, etc., with the form of clock-in learning to encourage employees to take the initiative to improve themselves in their leisure time. At the same time, we also planned reading sharing activities, and invited departments to take turns in recommending good reading materials. In terms of epidemic prevention and control, we have responded to the call of the country and the community to organize and advocate the vaccination of employees who meet the vaccination requirements, and require employees to do personal epidemic prevention work, exercise their bodies, and consciously protect themselves from the virus. When travel, foreign affairs and other activities are involved, it is necessary to confirm the epidemic situation of the destination before arranging travel. If it is necessary for employees to travel to and from epidemic risk areas, isolation or nucleic acid testing shall be arranged in strict accordance with the community pandemic prevention requirements.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE GEM LISTING RULES

As of 31 December 2021, our Group did not involve in any circumstances that would give rise to any disclosure requirement under Rules 17.15 to 17.21 or 17.43 of the GEM Listing Rules.

PROSPECTS

Looking forward to the future, we will continuously increase investments in Qiaoxin while maintaining the development of our primary business.

With the completion of the construction of our factory, we will expand into the condiment market and commence full production and the launch of our products in 2022.

Finance leasing, as our primary business, is facing restrictions and challenges due to the repeated outbreak of COVID-19, the release and tightening of industrial regulatory policies, and the adjustment of monetary and credit policies. Despite steady performance of the business, business progress has stagnated. The Company will, as always, adhere to the principle of prudent operation and risk prioritisation in the complex environment. It will design more targeted business plans to meet customer needs and ensure its own interests and capital security. We will keep the existing team size, improve business quality, increase work efficiency, pay more attention to and support local SMEs, and actively conduct business. In addition, efforts will be made to keep abreast of industry policies and regulatory trends, optimise business structure and improve management level. Our Company will also expand our commercial factoring business and attempt to tap into new markets through a commercial factoring company established in China (Shanghai) Pilot Free Trade Zone.

We established Qiaoxin in Yongchun, Fujian Province on 23 April 2020, with a view to set foot in the vinegar manufacturing and sales industry. Qiaoxin is an important project marking our Company's business diversification, and we will make constant investments in a period of time. As a condiment with a long history, table vinegar has a broad market and huge market potential in China. Yongchun aged vinegar, one of the four famous vinegar products in China, is made from a distinct brewing process and has a unique flavour. It has its own advantages as a regional brand. However, due to geographical limitations, the awareness of Yongchun aged vinegar in China needs to be raised. In view of the low barriers of entry in China's vinegar industry, low brand concentration and short industrialisation process, our directors believe that investment in the production and sale of Yongchun aged vinegar as our new business can diversify our business and bring greater returns to our shareholders. On 3 March 2022, our Company had further successfully won the bid for the land use rights of a piece of land in Yongchun County with a total site area of approximately 71,941 sq.m. and the structures erected thereon, which will be transformed and renovated for use as a new monascus wine and vinegar production and storage site. The construction is expected to be completed by 11 May 2025. For details, please refer to the announcement of the Company dated 15 March 2022. Starting from research and development, channels, operations and publicity, we will build a brand called Qiaoxin and bring more benefits to the Group.

In addition, we stepped into the fields of sale and supply chain of paper products in 2021. We cooperated with high-quality partners and made use of their resource advantages and industry experience to try in the new fields. The paper sector has brought us certain benefits. In 2022, we will pay continuous attention to the performance of the paper sector and make adjustments in a timely manner.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhou Shiyuan (周士淵) ("Mr. Zhou"), aged 33, is an executive Director and the chairman of the Board. Mr. Zhou is the son of Mr. Zhou Yongwei, one of our Controlling Shareholders. Mr. Zhou is responsible for our Group's strategic planning, overall operation and management of the Board, and provides strategic advice to the business and operation of our Group. He was appointed as a director of Xiamen Baiying in July 2016, and is currently the chairman and legal representative of Xiamen Baiying. Mr. Zhou was appointed as an chairman of the board of Fujian Qicheng Holding Co., Ltd.* (福建啓誠控股股份有限公司) in January 2015 which was principally engaged in asset investment consulting and management, and is currently responsible for the overall operation and equity investment and management. Mr. Zhou has also been serving as a deputy general manager of Septwolves Group Holding since September 2012 and is currently responsible for strategic planning and executing operation and investment plan and decisions of Septwolves Group Holding. From July 2010 to August 2012, Mr. Zhou worked as an assistant to general manager of Hangho Land (Xiamen) Co., Ltd.* (恒禾置地(廈門)股份有限公司) which was principally engaged in real estate development and management, where he was responsible for cost control and procurement. Since 28 December 2021, he has been appointed a director of China National Gem & Jewellery Imp. & Exp. Co., Ltd. (stock code: 872775, a company listed on NEEQ since 20 April 2018).

Mr. Zhou completed General English Language Course (advanced level) and graduated from Leicester College in October 2007. Mr. Zhou studied business and marketing at the Birmingham City Business School of Birmingham City University in the 2008/2009 academic session. Mr. Zhou was elected as a deputy to the 13th Fujian Provincial People's Congress in January 2018. In December 2019, Mr. Zhou was elected as the chairman of the World Jinjiang Friendship Council* (世界晉江聯誼會理事會) and awarded the Fujian Youth May Fourth Medal* (福建青年五四獎章). In August 2020, he was elected as the member of All-China Youth Federation (中華全國青年聯合會).

Mr. Chen Xinwei (陳欣慰) ("Mr. Chen"), aged 47, is an executive Director. Mr. Chen is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Chen served as a chief executive officer of Septwolves Group Holding since March 2006. He is currently responsible for the overall operation. From July 2004 to February 2006, Mr. Chen served as a chief investment officer and the deputy general manager of Fujian Septwolves Group which was principally engaged in project investment and asset management. He was responsible for investment and financing business.

Mr. Chen obtained his bachelor's degree in mathematics and his master's degree in probability theory and mathematical statistics from Xiamen University in July 1998 and June 2001, respectively. Mr. Chen also obtained a doctor's degree in economics from Xiamen University in September 2006. In 2020, Mr. Chen won the title of "Talent of Siming District" in Xiamen. Mr. Chen was qualified as a senior economist in 2021.

Mr. Huang Dake (黃大柯) ("Mr. Huang"), aged 51, our executive Director and the general manager, as well as our compliance officer since 20 October 2021, is the principal founder of our Group and has served as a director and the general manager of Xiamen Baiying since its incorporation in March 2010. Mr. Huang is primarily responsible for supervising the overall management, day-to-day operations and marketing management of our Group. Prior to joining our Group, he served as a deputy general manager of Xiamen Hongxin Boge Finance Leasing Co., Ltd.* (廈門弘信博格融資租賃有限公司) which was principally engaged in finance leasing from July 2008 to August 2009. Mr. Huang was responsible for business development and management. Mr. Huang also worked as an associate professor of Huaqiao University (華僑大學) from July 2006 to April 2017, where he was responsible for research and education projects.

Mr. Huang obtained his bachelor's degree in meteorological dynamics from Lanzhou University (蘭州大學) and his master's degree in quantitative economics from Huaqiao University (華僑大學) in June 1993 and July 2000, respectively. Mr. Huang also obtained a doctor's degree in economics from Xiamen University (廈門大學) in September 2006. Mr. Huang served as the chairman of Gansu Chamber of Commerce (Fujian branch) (福建省甘肅商會) from March 2015 to June 2020 and has served as a secretary of the Communist Party of China (中國共產黨) in Gansu Chamber of Commerce (Fujian branch) since July 2020. Mr. Huang served as a vice chairman of Xiamen Local Finance Association* (廈門地方金融協會) since December 2018. Mr. Huang also served as a member of Leasing Business Committee of China Association of Enterprises with Foreign Investment (中國外商投資企業協會租賃工作委員會) since January 2019. In 2021, he was honoured as a leading figure in finance of the year 2020 by Xiamen Municipal Association of Local Financial Institutions.

Non-executive Director

Mr. Ke Jinding (柯金鍲) ("Mr. Ke"), aged 46, is a non-executive Director. Mr. Ke is responsible for advising on and supervising the implementation of strategic planning of our Group. Mr. Ke held various positions in Jingong Machinery which was principally engaged in manufacturing engineering and fundamental agricultural machinery, including general manager, deputy sales general manager, assistant to general manager and etc. since July 1997.

Mr. Ke graduated with his diploma in business management from Huaqiao University (華僑大學) in July 1997. In October 2020, Mr. Ke elected as the chairman of supervisory committee of the second Quanzhou Equipment Manufacturing Association (泉州裝備製造業協會).

Independent Non-executive Directors

Mr. Chen Chaolin (陳朝琳) ("Mr. Chen"), aged 48, is an independent non-executive Director since 19 June 2018. Mr. Chen is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Since March 2016, Mr. Chen has been an independent non-executive director of Shenzhen Ysstech Info-Tech Co., Ltd. (深圳市贏時勝信息技術股份有限公司) (stock code: 300377, a company listed on Shenzhen Stock Exchange). Since December 2015, Mr. Chen served as director of Xiamen Borui Investment Co., Ltd.* (廈門博芮投資股份有限公司) where he is responsible for guiding the company's operation. Since December 2019, Mr. Chen served as an independent non-executive director of Shangte (Xiamen) Exhibition Co., Ltd.* (上特展示(廈門)股份有限公司). Since January 2020, Mr. Chen served as an independent non-executive director of Fujian Feitong Communication Technology Co., Ltd.* (福建飛通通訊科技股份有限公司). Since November 2020, Mr. Chen served as an independent non-executive director of Renlipin Pharmaceuticals (Xiamen) Co., Ltd.* (任力品藥業(廈門)股份有限公司). Mr. Chen also served successively as a teacher and the deputy professor of Xiamen National Accounting Institute (廈門國家會計學院) where he is responsible for teaching and researching since June 2011. From November 2004 to July 2008, Mr. Chen served as a project manager of Xiamen Business Management Personnel Evaluation Recommendation Center* (廈門市企業經營管理人才評價推薦中心) and was responsible for human resources management consulting services. From June 2001 to October 2004, Mr. Chen served as a project manager of Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司) which was principally engaged in securities investment services, where he was responsible for investment and consulting services. Mr. Chen served as an assistant to general manager of Lianjiang Ruibang Metal Product Company Limited* (連江瑞邦金屬製品有限公司), a company principally engaged in hardware development and production from November 1997 to August 1999, where he was responsible for assisting the general manager. From August 1995 to October 1997, Mr. Chen worked as an office clerk in Fujian Feed Industry Company* (福建省飼料工業公司) which was principally engaged in purchase and sale of primary agricultural products, where he was responsible for futures brokerage and proprietary trading.

Mr. Chen obtained his bachelor's degree in economics from Xiamen University and his master's degree in business administration from Xiamen University in July 1995 and December 2002, respectively. Mr. Chen also obtained a doctor's degree in management from Xiamen University in June 2011. Since May 2019, Mr. Chen is a member of the second session of the advisory committee of the Accounting Standards for Business Enterprises of the PRC Ministry of Finance (中國財政部第二屆企業會計準則諮詢委員會) with a term of two years.

Mr. Tu Liandong (涂連東) ("Mr. Tu"), aged 53, is an independent non-executive Director since 19 June 2018. Mr. Tu is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. In November 2019, Mr. Tu was appointed as the chairman of the board and the general manager of Xiamen Jindongshi Investment Management Co,. Ltd.* (廈門金東石投資管理有限公司) and is primarily responsible for investment management and asset management. In June 2019, Mr. Tu was appointed as a director and the general manager of Xiamen Liemou Consulting Co., Ltd.* (廈門獵謀諮詢服務有限公司) and is primarily responsible for investment consulting and enterprise management consulting, among other things. From July 2018 to August 2019, Mr. Tu served as an executive director of Pingtan Comprehensive Experimental Zone Shichu Investment Management Co., Ltd.* (平潭綜合實驗區時初投資管理有限公司) which was principally engaged in investment and asset management, where he was responsible for investment management and asset management. From May 2018 to April 2019, Mr. Tu served as an executive director of Xiamen Shichu Investment Consulting Co., Ltd.* (廈門時初投資諮詢有限公司) which was principally engaged in investment consulting, enterprise management consulting and business information consulting, where he was responsible for investment consulting and financial consulting, among other things. In February 2018, Mr. Tu was appointed as executive director and general manager of Xiamen Xuankai Investment Operation Management Co., Ltd.* (廈門宣凱投資運營管理有限公司), a company principally engaged in investment management consulting, where he was responsible for investment management and investment consulting. Mr. Tu served as executive director of Xiamen Southern Qianhe Investment Management Co., Ltd.* (廈門南方謙和投資管理有限公司) which was principally engaged in investment and asset management from November 2016 to February 2018, where he was responsible for fund management and investment consultation. From July 2016 to November 2016, Mr. Tu served as a managing partner of Xiamen Fantai Investment Management Co., Ltd* (廈門泛泰創業投資管理有限公司) which was principally engaged in investment consulting, where he was responsible for investment. From May 2003 to July 2016, Mr. Tu served as a chief financial officer and partner of Xiamen Power Capital Consulting Co., Ltd.* (廈門高能投資諮詢有限公司) which was principally engaged in investment management, where he was responsible for listing guidance, investment consulting, financial advisory and fund management. Mr. Tu worked as principal staff member of CSRC Xiamen Bureau (中國證監會廈門證監局) from March 2002 to May 2003, where he was responsible for supervision on securities and futures businesses. From July 1997 to March 2002, Mr. Tu served as a Certified Public Accountant and partner of Xiamen Zhongxing Certified Public Accountants Co., Ltd.* (廈門中興會計師事務所有限公司), a company principal engaged in audit, capital verification and accounting consultation, where he was responsible for accounting and tax consulting and auditing and property valuation. Mr. Tu worked as lecturer of Jimei University (集美大學) from September 1993 to July 1997. Mr. Tu currently also serves as an independent non-executive director and chairman of the audit committee of Fujian Supertech Advanced Material Co., Ltd. (福建賽特新材股份有限公司) (stock code: 688398, a company listed on the Shanghai Stock Exchange since February 2020). Mr. Tu currently serves as independent non-executive director and chairman of audit committee of Guoanda Co., Ltd.* (國安達股份有限公司) (stock code: 300902, a company listed on Shenzhen Stock Exchange) since September 2020. Mr. Tu serves as an independent non-executive director of Xiamen Fengyun Technology Co., Ltd.* (廈門風雲科技股份有限公司) (stock code: 836460, accompany listed on NEEQ) since August 2020. Mr. Tu has been an independent non-executive director and chairman of the audit committee of Chengtun Mining Group Co., Ltd. (stock code: 600711, a company listed on the Shanghai Stock Exchange since May 1996).

Mr. Tu obtained his bachelor's degree in science from Fuzhou University (福州大學) and his master's degree in science from Xiamen University in July 1990 and September 1993, respectively. Mr. Tu also obtained the qualification of certified public accountants of the PRC in May 1997.

Mr. Xie Mianbi (謝綿陛) ("Mr. Xie"), aged 53, is an independent non-executive Director since 19 June 2018. Mr. Xie is responsible for supervising the compliance and corporate governance, and providing independent advice to the Board. Mr. Xie worked as a lecturer, vice professor and professor of JiMei University (集美大學) successively since August 1998. From August 1990 to July 1998, Mr. Xie worked as a lecturer of Sanming Medical and Polytechnic Vocational College (三明醫學科技職業學院) (formerly known as Fujian Sanming Textile Industry College* (福建三明紡織工業學校)) and Fujian Sanming Financial and Economics College* (福建三明財經學校).

Mr. Xie obtained his bachelor's degree in engineering mechanics from Northwestern Polytechnical University (西北工業大學) and his master's degree in finance from Xiamen University in July 1990 and December 1999, respectively. Mr. Xie also obtained a doctor's degree in economics from Xiamen University in June 2004.

Senior Management

Mr. Zhang Zhaowei (張兆偉) ("Mr. Zhang"), aged 48, is the deputy general manager of our Group. Mr. Zhang is responsible for sales and marketing matters of our Group. He has been the deputy general manager of Xiamen Baiying since 2011. Prior to joining our Group, Mr. Zhang worked as an analyst of HSBC Bank (Canada)* (加拿大匯豐銀行) from January 2008 to December 2009 where he was responsible for database maintenance and online application development. From September 2003 to August 2005, Mr. Zhang worked as an analyst of Lianhe Furniture Company* (聯合家具公司) which was principally engaged in sales of furniture and other products, where he was responsible for stock analysis and procurement. From July 1994 to May 2000, Mr. Zhang worked as a manager of Xiamen Xingsha Industrial General Company* (廈門星鯊實業總公司) which was principally engaged in production and sales of medicines and animal health products, where he was responsible for marketing and sales management.

Mr. Zhang graduated with a bachelor's degree in agricultural science from Huazhong Agricultural University (華中農業大學) in July 1994 and a master's degree in business administration from Xiamen University in June 2002. Mr. Zhang also obtained a bachelor of science degree in computer science from Simon Fraser University (西蒙弗雷澤大學) in September 2009.

Ms. Wang Yingqin (王穎琴) ("Ms. Wang"), aged 38, is the manager of the legal affairs department since May 2017 and one of our joint company secretaries. Ms. Wang is responsible for legal affairs, project evaluation, risk management, contract review and litigation of the Group. Ms Wang joined the Group in May 2010, initially as a legal specialist. She then served as the vice manager and manager of the risk management department before assuming her present role. Prior to joining the Group, Ms. Wang supervised the electric service department of Fuzhou Tongli Technology Co., Ltd.* (福州同力科技有限公司), a high-tech company mainly engaged in the development and sale of computer software, where she was responsible for legal affairs, contract review, and administrative affairs.

Ms. Wang graduated from Huaqiao University in July 2006 with a bachelor's degree in law. She is qualified to practice PRC law.

Ms. Xu Jianxia (許建霞) ("Ms. Xu"), aged 48, is the financial manager of our Group. Ms. Xu is responsible for financial and accounting matters of our Group. Ms. Xu joined our Group as the financial manager of Xiamen Baiying in May 2012. Prior to joining our Group, Ms. Xu worked as a financial manager of Xiamen Yuancheng Managing Consulting Co., Ltd.* (廈門市元成企管諮詢有限公司), a company principally engaged in corporate management consulting, from February 2005 to December 2011, where she was responsible for financial and accounting matters. From September 1991 to December 2004, Ms. Xu worked as a deputy manager of the financial department of Fujian Naoshan Paper Co., Ltd.* (福建鐃山紙業有限公司), which was principally engaged in production and sales of paper products, where she was responsible for financial and accounting matters.

Ms. Xu graduated from Network Education School of Renmin University of China* (中國人民大學網絡教育學院) in July 2008 with a bachelor's degree in marketing. In January 2017, Ms. Xu graduated from Concordia University with a master's degree in business administration.

* *for identification purpose only*

Report of the Directors

The Board is pleased to present this report of Directors together with the audited consolidated financial statements of our Group for the year ended 31 December 2021 to the Shareholders.

SHARE OFFER

The Company was incorporated in the Cayman Islands on 5 June 2017 as an exempted company with limited liability under the Cayman Islands Companies Law. The Shares were listed on GEM on 18 July 2018.

PRINCIPAL BUSINESS AND PRINCIPAL PLACE OF BUSINESS

Our Group principally provides finance leasing services, factoring services and advisory services to the customers in the PRC. We are also engaged in packaging and paper products trading.

Our principal place of business and headquarters in the PRC is at Unit 1, 30/F, No. 77 Tai Nan Road, Siming District, Xiamen, Fujian, the PRC. Our principal place of business in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

BUSINESS REVIEW

A review of our Group's business for the year ended 31 December 2021 and a discussion on our Group's future business development as required by Schedule 5 to the Companies Ordinance (Chapter 622, the laws of Hong Kong) are set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Such discussions form part of this Report of the Directors. Certain financial key performance indicators are provided in the section of "Financial Summary" of this annual report.

Important events affecting our Group that has occurred since the end of the Reporting Period are mentioned in the section headed "Events after the Reporting Period" of this Report of the Directors.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 14 to the consolidated financial statements of this annual report.

For the year ended 31 December 2021, the directors of Hong Kong Byleasing Holding Co., Limited, an indirectly wholly owned subsidiary of the Company, were Mr. Huang Dake, Mr. Chen Xinwei and Mr. Zhou Shiyuan.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Our Group strictly complies with the requirements of Environmental, Social and Governance (the "**ESG**") Reporting Guide set out in Appendix 20 of the GEM Listing Rules, and our Group is committed to incorporating sustainable development principle into our corporate development strategies and daily operation and management and the goal of acting as a responsible corporate citizen. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Our Group persists in maintaining good corporate governance and operating in compliance with the relevant laws and regulations in the PRC, the rules and provisions of the Companies Ordinance, the GEM Listing Rules and the SFO in Hong Kong. For details, please refer to the subsection headed "Compliance with Key Regulatory Requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

KEY RELATIONSHIPS

Our Group endeavours to maintain sustainable development in the long run and continuously create value for our employees and customers. Our Group understands that employees are our valuable assets and the realization and enhancement of our employees' value will facilitate the achievement of our Group's overall goals. We provide comprehensive benefits package and continuing education and training programs for our employees.

Our Group also understands the importance of maintaining good relationships with our customers. We provide efficient and customized finance leasing services to our customers and handle their complaints in a timely manner to maintain the competitiveness of our services and our brand.

During the year ended 31 December 2021, we considered our relationship with employees was good and there was no significant and material dispute with our customers.

SEGMENT INFORMATION

Detail of segment information are set out in note 3 to the consolidated financial statements.

KEY RISK FACTORS

Credit Risk

As a finance leasing company dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals, credit risk is the most significant risk inherent in our business. Credit risk arises from a customer's inability or unwillingness to repay its financial obligations owed to us in a timely manner or at all.

Liquidity Risk

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. If any liquidity difficulty occurs, our business, financial condition and results of operations could be materially and adversely affected.

Political, Economic and Social Conditions

The majority of our operations and assets are located in China, and all of our revenue was derived from our business in China during the Reporting Period. Any negative changes in the political, economic or social conditions in China may have a material adverse effect on our present and future business operations.

The impact of COVID-19 pandemic on China and the global economy is still continuing. With the continuous outbreak and normalized prevention and control of the pandemic, virus mutation and global vaccination, any negative changes may have an adverse effect on our potential customers and our present and future business operations.

These risks are not the only significant risks that may affect the value of the Shares. For more details, please refer to note 26 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the revenue from our top five customers and the largest customer accounted for 40.6% and 13.6% of our total revenue, respectively.

As of 31 December 2021, we had transactions with one customer with from packaging and paper products trading business which accounted for more than 10% of our total revenue. Such customer is a SME principally engaged in the sales of various mid to high-end corrugated fiberboard boxes, cardboard and plastic packaging.

During the Reporting Period, we do not have major suppliers since we are primarily engaged in finance leasing business in the PRC.

Purchases attributable to the Group's top five suppliers in relation to our packaging and paper products trading business only accounted for approximately 83.6% of the total of such purchases for the year, and purchases from the largest supplier included therein amounted to approximately 38.3% of the total purchase.

Our top five customers are the Independent Third Parties, and to the best knowledge of the Directors, none of the Directors or their respective close associates or any Shareholders who own more than 5% of the number of the Company's issued Shares, had any beneficial interest in any of our Group's five largest customers or suppliers aforementioned during the year.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE GEM LISTING RULES

As of 31 December 2021, the Directors have confirmed that they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group are set out in the section of "Financial Summary" of this annual report. This summary does not form part of the audited consolidated financial statements of our Group.

FINANCIAL STATEMENTS

The results of our Group for the year ended 31 December 2021 as of the date are set out in the section headed "Consolidated Financial Statements" of this annual report.

A discussion and analysis of our Group's performance during the Reporting Period and material factors underlying its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

RESERVES

Details of movements in reserves of our Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report, of which details of reserves available for distribution to Shareholders are set out in note 25 to the consolidated financial statements of this annual report.

DIVIDEND POLICY

Subject to the applicable laws, rules, regulations and the Articles and Association, the Company may distribute dividend by way of cash, share allotment or any other form in any currency to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on our results of operations, working capital and capital requirements, as well as any other factors considered relevant. A separated resolution of the proposed dividend distribution plan will be submitted by the Board to the Shareholders at the general meeting for their consideration and approval. The distribution of dividend will be completed within three months upon the approval by the Shareholders at the general meeting.

DIVIDEND

The Board does not propose or recommend the distribution of any dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholder's entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 10 June 2022 to Wednesday, 15 June 2022, both days inclusive, during which period no Share transfers will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration, no later than 4:30 p.m. on Thursday, 9 June 2022.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank and other borrowings of our Group as of 31 December 2021 are set out in note 21 to the consolidated financial statements of this annual report.

SHARE CAPITAL

On 18 July 2018, the Company issued an aggregate of 67,500,000 Shares of HK$0.01 each at the offer price of HK$1.28 per Share by way of Share Offer. There was no change in share capital of the Company since the Listing Date. For more details, please refer to the section headed "Consolidated Statement of Changes in Equity" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules as of the date of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of Cayman Islands, 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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the Reporting Period, there had been no convertible securities, options, warrants or other similar rights issued or granted by the Company and there had been no exercise of convertible securities, option, warrants or similar rights.

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

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Share Option Scheme", no equity-linked agreements were entered into by the Company or subsisted at any time during the year.

DIRECTORS

The following table sets forth information relating to the Directors:

Name	Age	Position	Appointment Date
Mr. Zhou Shiyuan (周士淵)	33	Chairman and executive Director	05 June 2017
Mr. Chen Xinwei (陳欣慰)	47	Executive Director	05 June 2017
Mr. Huang Dake (黃大柯)	51	Executive Director and general manager	05 June 2017
Mr. Ke Jinding (柯金鍚)	46	Non-executive Director	05 June 2017
Mr. Chen Chaolin (陳朝琳)	48	Independent non-executive Director	19 June 2018
Mr. Tu Liandong (涂連東)	53	Independent non-executive Director	19 June 2018
Mr. Xie Mianbi (謝綿陛)	53	Independent non-executive Director	19 June 2018

All existing Directors have been appointed for a fixed term of three years with a service contract. Pursuant to Article 84 of the Articles of Associations and code provision A.4.2 of the CG Code (which has been re-numbered as code provision B.2.2 of the CG Code since 1 January 2022), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, each of Mr. Zhou Shiyuan, Mr Chen Xinwei, Mr. Ke Jinding and Mr. Tu Liandong, being eligible, offers himself for re-election at the AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

SERVICE CONTRACTS OF DIRECTORS

Each of the Directors has entered into a service contract with the Company for a term of three years. Our Group has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Director which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and the permitted indemnity provision as defined in section 469 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) for the benefit of the Directors is currently in force and was in force throughout the year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2021 are set out in notes 9 and 10 to the consolidated financial statements of this annual report.

The remuneration to Directors is subject to the Shareholders' approval at the general meeting. The emoluments payable to the Directors and senior management and their respective contractual terms under their employment contracts or service contracts are determined by the Board with recommendations of the remuneration committee of the Company (the "**Remuneration Committee**"), having regard to their performance, our Group's operating results and comparable market statistics. No Directors, or any of their respective associates, was involved in deciding their own remuneration.

Pursuant to code provision B.1.5 of the CG Code (which has been re-numbered as code provision E.1.5 of the CG Code since 1 January 2022), remuneration paid to each of the members of the senior management of the Company (except for three executive Directors) for the year ended 31 December 2021 is less than RMB300,000. No Director and senior management of the Company has waived or agreed to waive any emoluments.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the subsection headed "Connected Transactions and Continuing Connected Transactions" in this report, none of the Directors or entities connected with a Director had a material interest, either directly or indirectly in any transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, nor did such transaction, arrangement or contract subsist during the Reporting Period.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the subsection headed "Related Party Transactions" in this report, there had been no contract of significance between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries.

COMPETING BUSINESS

None of the Directors, Controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) was engaged in any business which competes or was likely to compete, either directly or indirectly, with the business of the Company during the Reporting Period.

PENSION SCHEME

Our Group participates in pension scheme administered and organized by the local municipal government of the PRC. Contributions to this pension scheme are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. Our Group has no obligation for the payment of pension benefits beyond the contributions described above.There was no forfeited contribution which may be used by the Group to reduce the contribution payable in the future years.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming has confirmed to the Company that it/she/he has complied with the non-competition undertakings given by them to the Company during the year. Pursuant to the undertakings, each of them has individually or collectively with any of their respective close associates agreed not to compete with the existing business of our Group and to refer any option for new business opportunities to the Company.

The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company or any its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board and the management of the Company have adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules and reviewed its corporate governance policies and their compliance from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions. For details, please refer to the section headed "Corporate Governance Report" of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

As of 31 December 2021, we had total of 34 outstanding legal proceedings initiated by us, of which 7 new legal proceedings initiated to recover overdue payments from our customers during the Reporting Period. As these proceedings arose in the ordinary course of our daily operations and relatively small amounts of finance lease receivables are involved, the Directors are of the view that these proceedings would not have any material adverse effect on our business, financial condition or results of operations. During the Reporting Period, we handled a civil litigation as a defendant relating to a dispute regarding our construction project in Yongchun county. Such proceedings are currently on-going, yet our Directors are of the view that such proceedings would not have any material adverse effect on our business, financial condition or results of operation.

SHARE OPTION SCHEME

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

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company in aggregate shall not exceed 30% of the Shares in issue from time to time. In addition, under a refreshment of the 10% limit mentioned below is approved by the Shareholders pursuant to the GEM Listing Rules, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other scheme(s) of the Company shall not in aggregate exceed 10% of all the issued Shares as of 18 July 2018, being the Listing Date. As at the date hereof, the options available for grant by the Company is 27,000,000 Shares, representing 10% of the total issued Shares.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each eligible person in any 12-month period shall not exceed 1% of our Shares in issue on the last day of such 12-month period, unless approved by the Shareholders in accordance with the GEM Listing Rules.

An option shall be regarded as having been granted and accepted when the duplicate of the offer letter, comprising acceptance of the offer of the option, is duly signed by the grantee together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within a period of 30 days from the date of offer of the option, provided that no such offer may be accepted after the expiry of the scheme period or after the Share Option Scheme has been terminated.

There is no minimum period for which an option granted must be held before it can be exercised unless otherwise imposed by the Board.

The exercise prices of the options will be determined by the Board in its absolute discretion but shall not be less than whichever is the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the Shares on the offer date.

No share options have been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. As of 31 December 2021, the Company has no outstanding share option under the Share Option Scheme.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the following transactions constituted connected transactions and continuing connected transaction under the GEM Listing Rules:

Formation of Jingong New Energy

On 23 November 2021, Xiamen Baiying entered into a capital contribution agreement with Jingong Machinery and Xiamen Qifeng Investment Partnership* (廈門啟峰投資合夥企業) ("**Xiamen Qifeng Partnership**"), pursuant to which the parties agreed to establish Fujian Jingong New Energy Technology Co., Ltd. (福建晉工新能源科技有限公司) ("**Jingong New Energy**") in the PRC. The parties intend to invest a total of RMB100.0 million (equivalent to approximately HK$121.9 million) in Jingong New Energy by contributing to its registered capital, whereby Jingong Machinery agreed to contribute RMB55 million (equivalent to approximately HK$67.1 million), being 55% of the registered capital of Jingong New Energy; Xiamen Qifeng Partnership agreed to contribute RMB40.0 million (equivalent to approximately HK$48.8 million), being 40% of the registered capital of Jingong New Energy; and Xiamen Baiying agreed to contribute RMB5.0 million (equivalent to approximately HK$6.1 million), being 5% of the registered capital of Jingong New Energy. Jingong New Energy is principally engaged in the manufacturing and sale of new energy construction machinery in the PRC.

The principal terms of the Capital Contribution Agreement are as follows:

Date:	23 November 2021 (after trading hours)
Parties:	(a) Jingong Machinery; (b) Xiamen Qifeng Partnership; and (c)Xiamen Baiying.
Subject matter:	Jingong Machinery, Xiamen Qifeng Partnership and Xiamen Baiying intend to invest a total of RMB100.0 million (equivalent to approximately HK$121.9 million) in Jingong New Energy by contributing to its registered capital pursuant to the Capital Contribution Agreement.
Scope of business of Jingong New Energy:	Jingong New Energy will be principally engaged in the manufacturing and sale of new energy construction machinery in the PRC, as well as other business within the scope of business set out in the business license.
Capital contribution:	The registered capital of Jingong New Energy will be RMB100.0 million (equivalent to approximately HK$121.9 million). Jingong Machinery has agreed to contribute RMB55.0 million (equivalent to approximately HK$67.1 million), being 55% of the registered capital of Jingong New Energy; Xiamen Qifeng Partnership has agreed to contribute RMB40.0 million (equivalent to approximately HK$48.8 million), being 40% of the registered capital of Jingong New Energy; and Xiamen Baiying has agreed to contribute RMB5.0 million (equivalent to approximately HK$6.1 million), being 5% of the registered capital of Jingong New Energy. The Group will finance the capital contribution commitment in Jingong New Energy through the internal resources. The capital contribution will be paid by the Group in cash, and by the other parties in cash or in kind. Capital contribution to Jingong New Energy is determined through arm's length negotiation among the parties with reference to the capital requirement of Jingong New Energy.
Payment schedule:	The parties shall pay the capital contribution in the following manner: (i) 50% of their respective capital contributions is to be paid within 20 days from the approval date of the company name of Jingong New Energy by the authority; and (ii) the remaining 50% of their respective capital contributions is to be paid according to the requirements of Jingong New Energy, but by no later than the expiry of one year from the establishment date of Jingong New Energy.

Board of directors, supervisors and legal representative of Jingong New Energy:	The board of directors of Jingong New Energy shall consist of five directors, of which three shall be nominated by Jingong Machinery, one shall be nominated by Xiamen Qifeng Partnership, and one shall be nominated by Xiamen Baiying. The legal representative of Jingong New Energy shall be the chairman of the board of directors of Jingong New Energy who is elected by the board of directors of Jingong New Energy. Jingong New Energy shall have one supervisor who shall be elected by the shareholders of Jingong New Energy.
Profit distribution:	The profit after taxation shall be distributed among all parties on a pro-rata basis based on their respective capital contribution.

The profit after taxation of Jingong New Energy shall be distributed among all parties on a pro-rata basis based on their respective capital contribution.

As a construction machinery manufacturer, Jingong Machinery has been developing and selling construction machinery for more than 20 years and has earned a good reputation in machinery manufacturing industry. With the manufacturing expertise and market share of Jingong Machinery, and the investment experience of Xiamen Qifeng Partnership, the Company expects that the establishment of Jingong New Energy will provide the Group with an opportunity to expand the investment portfolio into the booming new energy industry. The Directors therefore believe that Jingong New Energy may increase the comprehensive income of the Company and bring additional profits to the Shareholders.

Jingong Machinery is directly owned as to 50% by Mr. Ke Shuiyuan, a Substantial Shareholder, and as to 50% by his brother, Mr. Ke Jinding, a non-executive Director and a Substantial Shareholder. Xiamen Qifeng Partnership, a limited partnership established in the PRC, is managed by Qingdao Gongchuang Qicheng Investment Management Co., Ltd* (青島共創啟誠投資管理有限公司), its general partner, which is directly owned as to 80% by Mr. Zhou Shiyuan, the chairman of the Board and an executive Director. 39% of the total capital of Xiamen Qifeng Partnership was contributed by Fujian Qicheng Holdings, a PRC company owned indirectly as to 80% by Fujian Septwolves Group and as to 20% by Mr. Zhou Shiyuan, the chairman of the Board and an executive Director and his spouse, Ms. Wang Jialin (王佳琳). Fujian Septwolves Group is wholly owned by Mr. Zhou Yongwei (周永偉), Mr. Zhou Shaoxiong (周少雄) and Mr. Zhou Shaoming (周少明), the Controlling Shareholders. Therefore, pursuant to the GEM Listing Rules, both Jingong Machinery and Xiamen Qifeng Partnership are connected persons of the Company, and the Capital Contribution Agreement entered into by Xiamen Baying and the transaction contemplated thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

Loan Agreements with Septwolves Trade

On 15 January 2021, Xiamen Baiying entered into a loan agreement with Septwolves Trade, pursuant to which Xiamen Baiying agreed to provide a loan in the principal amount of RMB8.3 million (equivalent to approximately HK$9.9 million) to Septwolves Trade at an interest rate of 5% per annum which was repayable on demand by a three-day notice (the "**Loan**"). The Loan has been fully repaid on 22 December 2021.

The principal terms of the Loan Agreement are set out below:

Date:	15 January 2021
Lender:	Xiamen Baiying
Borrower:	Septwolves Trade

Amount of the Loan:	The principal amount is RMB8.3 million (equivalent to approximately HK$9.9 million) (the "**Principal Amount**"). The Principal Amount was determined through arm's length negotiation between Xiamen Baiying and Septwolves Trade with reference to the financial needs of Septwolves Trade, and will be financed by the internal resources of the Group.
Repayment:	The Principal Amount is repayable by Septwolves Trade on or before 20 December 2021 or the date specified in the three-day notice (the "**Repayment Date**") to be issued by Xiamen Baiying, whichever is earlier.
Interest rate:	The interest rate of the Loan is 5% per annum based on the actual borrowing days on the Repayment Date (the "**Interest Payable**"). The Interest Payable shall be paid in full by Septwolves Trade on the Repayment Date. The interest rate was negotiated at arm's length between Xiamen Baiying and Septwolves Trade, taking into account the prevailing bank lending rate in the PRC.
Default payment:	If the borrower fails to repay the Principal Amount and Interest Payable under the Loan Agreement, the default payment shall be paid to Xiamen Baiying at a daily default rate of 0.02% from the Repayment Date to the full settlement date.

The Loan could provide the Group with reasonable return, which was on normal commercial terms, on our idle funds, pending deployment of such funds for the Group's business needs and operating activities after repayment, and was made by the Group for treasury management purpose, after taking into account, among others, the level of risk and return.

Septwolves Trade was directly wholly owned by Fujian Septwolves Group which was in turn approximately 37.82% owned by Mr. Zhou Yongwei (周永偉), a Controlling Shareholder, and hence was a connected person of the Company pursuant to the GEM Listing Rules. As such, the Loan constituted a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

Jingong Machinery Framework Agreement

On 14 January 2021, Xiamen Baiying, entered into a business cooperation agreement with Jingong Machinery (the "**Jingong Machinery Framework Agreement**") for a term of three years commencing from 14 January 2021. Pursuant to the agreement, Xiamen Baiying agreed to provide direct finance leasing services to customers referred by Jingong Machinery by purchasing equipment manufactured and/or supplied by Jingong Machinery at ex-factory price and leasing such equipment to those customers. Those customers are designated by Jingong Machinery and approved by Xiamen Baiying. In return, Jingong Machinery provides us with a guarantee for the performance of the customers under the leases.

The annual cap of the transaction for the year ended 31 December 2021 was RMB8,300,000. The total amounts paid by Xiamen Baiying for purchasing equipment manufactured by Jingong Machinery, pursuant to the direct finance leasing transactions under the Jingong Machinery Framework Agreement for the year ended 31 December 2021 were RMB7,779,000.

The principal terms of the Framework Agreement are set out below:

Date:	4 January 2021
Parties:	(1) Xiamen Baiying; and (2) Jingong Machinery.
Term:	Commencing from 14 January 2021 and expiring on 31 December 2023.
Subject matter:	Xiamen Baiying, an indirectly wholly-owned subsidiary of the Company, agreed to provide direct finance leasing services to customers referred by Jingong Machinery by purchasing the Leased Assets from Jingong Machinery at ex-factory price and lease the Leased Assets to those customers. Those customers are designated by Jingong Machinery and approved by Xiamen Baiying. The relevant Leased Assets will be dispatched to the relevant customer directly for its use, and the relevant customer will pay periodical rental payments comprising the purchase price of the Leased Assets, interest and management fee to Xiamen Baiying pursuant to the relevant finance leasing agreement between Xiamen Baiying and the relevant customer.
Leased Assets:	equipment manufactured and/or supplied by Jingong Machinery
Purchase price:	The total amount of the purchase price for the Leased Assets is determined by the quantity and the ex-factory price of the Leased Assets, which are the results of the negotiation between Jingong Machinery and the relevant customers based on normal commercial terms after arm's length negotiation with reference to the market price of the equipment.
Obligation to repurchase:	Jingong Machinery undertakes to repurchase the Leased Assets from Xiamen Baiying if the relevant finance leasing agreement is terminated due to the default of the relevant customer or other grounds as specified in the agreement. The amount payable by Jingong Machinery to Xiamen Baiying for repurchasing the Leased Assets is the sum of the remaining amount of the lease payments and the principal under the relevant finance leasing agreement.

Jingong Machinery has long working relationship with us in direct finance leasing. Our customers, who are normally potential or existing customers of Jingong Machinery in need of financing, are introduced by Jingong Machinery. By providing finance leasing service to these customers, we could access and serve the customers sourced from Jingong Machinery. In addition, Jingong Machinery undertakes to repurchase the leased equipment from us in case of default.

As Jingong Machinery is a company directly owned by Mr. Ke Jinding and Mr. Ke Shuiyuan (brother of Mr. Ke Jinding) both as to 50%. Jingong Machinery is an associate of Mr. Ke Jinding, a non-executive Director, and hence a connected person (as defined in the GEM Listing Rules) of the Company. Therefore, the transactions contemplated under the Jingong Machinery Framework Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Our Directors, including independent non-executive Directors, are of the view that the continuing connected transaction under the Jingong Machinery Framework Agreement has been and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board engaged the auditor of the Company to report on the Company's continuing connected transactions. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions and confirmed that nothing has come to their attention that cause them to believe that the 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 the transactions; and (iii) have exceeded the annual cap as set by the Company. The Board confirms that the Company is in compliance with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the Reporting Period.

RELATED PARTY TRANSACTIONS

Save as disclosed in the subsection headed "Connected Transactions and Continuing Connected Transaction" in this report, none of the related party transactions set out in note 28 to the consolidated financial statements constitute connected transactions or continuing connected transactions, which are subject to the reporting, annual review, announcement and/or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

On 20 March 2022, Qiaoxin submitted a non-binding tender for the investment in a company principally engaged in the production and sales of rice, flour products and other food products as part of the target company's restructuring plan.

For details, please refer to the announcement of the Company dated 21 March 2022.

Save as disclosed above, in the section headed "Management Discussion and Analysis" and in note 30 to the consolidated financial statements of this annual report, the Board is not aware of any other material events after the Reporting Period.

DONATION

No charitable and other donations were made by our Group during the year ended 31 December 2021.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed and discussed with the management the accounting principles and practices adopted by the Company, the Company's internal controls and financial report matters, and the Company's policies and practices on corporate governance. This annual report has been reviewed and agreed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by KPMG, who has remained as the Company's auditor since the Listing Date and shall retire and, being eligible, offer itself for re-appointment. There were no changes in auditors of the Company during the past three years. A resolution for the re-appointment of KPMG as an auditor of the Company is to be proposed at the AGM.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As of 31 December 2021, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Position	Nature of interest	Number of Shares[1]	Percentage in the total issued share capital
Mr. Ke Jinding[2]	Non-executive Director	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
Mr. Huang Dake[3]	Executive Director	Interest in controlled corporation	22,781,250 Shares (L)	8.44%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares or the shares in the share capital of the relevant associated corporation.

(2) Zijiang Capital is directly interested in approximately 14.06% of the issued Shares. The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn held as to 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Jinding is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

(3) HDK Capital is directly interested in approximately 8.44% of the issued Shares. The disclosed interest represents the interest in the Company held by HDK Capital, which is wholly owned by Mr. Huang Dake. Therefore, Mr. Huang Dake is deemed to be interested in HDK Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 December 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2021, the persons or corporations (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of Shares[(1)]	Percentage in the total issued share capital
Septwolves Holdings	Beneficial owner	118,968,750 Shares (L)	44.06%
Mr. Zhou Yongwei[(2)]	Interest in controlled corporation	118,968,750 Shares (L)	44.06%
Zijiang Capital	Beneficial owner	37,968,750 Shares (L)	14.06%
Mr. Ke Shuiyuan[(3)]	Interest in controlled corporation	37,968,750 Shares (L)	14.06%
HDK Capital	Beneficial owner	22,781,250 Shares (L)	8.44%
Shengshi Capital	Beneficial owner	15,187,500 Shares (L)	5.63%
Mr. Wong Po Nei[(4)]	Interest in controlled corporation	15,187,500 Shares (L)	5.63%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.

(2) The disclosed interest represents the interest in the Company held by Septwolves Holdings, which is in turn held as to 37.06%, 31.47% and 31.47% by Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming, respectively. Therefore, Mr. Zhou Yongwei is deemed to be interested in Septwolves Holdings' interest in the Company by virtue of the SFO.

(3) The disclosed interest represents the interest in the Company held by Zijiang Capital, which is in turn held as to 40%, 40% and 20% by Mr. Ke Shuiyuan, Mr. Ke Jinding and Mr. Ke Zijiang, respectively. Therefore, Mr. Ke Shuiyuan is deemed to be interested in Zijiang Capital's interest in the Company by virtue of the SFO.

(4) The disclosed interest represents the interest in the Company held by Shengshi Capital, which is wholly owned by Mr. Wong Po Nei. Therefore, Mr. Wong Po Nei is deemed to be interested in Shengshi Capital's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 December 2021, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

On behalf of the Board

Zhou Shiyuan
Chairman and executive Director
24 March 2022

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the Code Provisions of the CG Code set out in Appendix 15 to the GEM Listing Rules and review its corporate governance practice from time to time to ensure the maintenance of high standards of business ethics and corporate governance practices. During the Reporting Period, the Company has fully complied with the Code Provisions.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith and in the best interests of the Company and its Shareholders. The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

As of 31 December 2021, the Board comprised three executive Directors, namely, our chairman Mr. Zhou Shiyuan, Mr. Chen Xinwei and Mr. Huang Dake, one non-executive Director, namely, Mr. Ke Jinding, and three independent non-executive Directors, namely, Mr. Chen Chaolin, Mr. Tu Liandong and Mr. Xie Mianbi.

Their biographical details are set out in the section headed "Directors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the websites of the Stock Exchange and the Company.

There is no financial, business, family or other material or relevant relationships among members of the Board and members of the senior management of the Company.

DUTIES OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The Board is responsible for our Group's strategic planning, advising on and supervising the implementation of strategic planning and overall operation of our Group. The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of our Group, and the training and continuous professional development of Directors and senior management of the Company. The Directors make decisions objectively in the joint interests of the Company and its Shareholders.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company's businesses to the executive Directors and members of senior management of the Company. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. 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 report.

Each of the Board members can have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at our Group's expense upon their request.

The senior management of the Company is primarily responsible for the administrative matters of the Board, risk management matters, financial and accounting matters and sales and marketing matters of the Company.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

Within the year, the Board held 5 meetings to approve changes of the joint company secretary and the compliance officer, approve the major and connected transaction, review our financial information, review and monitor the policies and practices on corporate governance and legal and regulatory compliance of the Company. The senior management supervised the daily operations of the Company, identified and reported the potential risks to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhou Shiyuan is the chairman of the Board and is responsible for our Group's strategic planning, overall operation and managing the Board. The chairman is also responsible for ensuring good corporate governance practices.

Mr. Huang Dake, as the general manager of the Company, is responsible for supervising the overall management, daily operations and marketing management of our Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company having regard to the criteria set under Rule 5.09 of the GEM Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent under these independence criteria and are capable of effectively exercising independent judgement. All independent non-executive Directors are identified in all corporate communications containing the names of Directors.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of our Group.

All directors participated in the training provided by Hong Kong's legal counsel on the amended Corporate Governance Code (CG Code) and the Listing Rules and on the corporate governance of listed companies and the proper fulfillment of the duties of directors, supervisors and senior managers. The relevant training covers the content and implementation requirements of the latest amendments to CG Code and the Listing Rules, as well as the principles, requirements and performance bottom line of corporate governance. Training records of all Directors have been provided to the Company Secretary.

A summary of training received by the Directors for the year ended 31 December 2021 is as follows:

Name of Directors	Latest Amendments to CG Code and Listing Rules	Corporate Governance of Listed Companies and Proper Fulfillment of the Duties of Directors, Supervisors and Senior Managers.
Executive Directors		
Mr. Zhou Shiyuan	√	√
Mr. Chen Xinwei	√	√
Mr. Huang Dake	√	√
Non-executive Director		
Mr. Ke Jinding	√	√
Independent non-executive Directors		
Mr. Chen Chaolin	√	√
Mr. Tu Liandong	√	√
Mr. Xie Mianbi	√	√

DIRECTORS' TERM OF OFFICE, ELECTION AND RE-ELECTION

All existing Directors have been appointed for a fixed term of three years with a service contract. Pursuant to Article 84 of the Articles of Associations and provision A.4.2 of the CG Code (which has been re-numbered as code provision B.2.2 of the CG Code since 1 January 2022), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years but shall be eligible for re-election.

DIRECTORS' INSURANCE

Our Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are respectively available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company. All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Audit Committee consists of three members, namely Mr. Tu Liandong (independent non-executive Director), Mr. Chen Chaolin (independent non-executive Director) and Mr. Ke Jinding (non-executive Director). An independent non-executive director, Mr. Tu Liandong, currently serves as the chairman of the Audit Committee. The three members are experienced in reviewing and analysing financial information and possess appropriate accounting and related financial management expertise. Therefore, the Company complies with the requirement under Rule 5.28 of the GEM Listing Rules.

The primary duties of the Audit Committee are to review our financial information, oversight the Company's financial reporting system, risk management and internal control systems, nominate and monitor external auditors, develop, review and monitor our corporate governance functions and to provide advice and comments to the Board.

The Audit Committee held 4 meetings for the year ended 31 December 2021. The Audit Committee has reviewed (i) the annual financial statements, results and report of our Group for the year ended 31 December 2021; (ii) the quarterly financial statements, results and report of our Group for the three months ended 31 March 2021; (iii) the interim financial statements, results and report of our Group for the six month ended 30 June 2021; (iv) the quarterly financial statements, results and report of our Group for the nine months ended 30 September 2021; and (v) the significant issues on the financial reporting and compliance procedures, internal control and risk management systems and its effectiveness. In the opinion of the Audit Committee, the preparation of the annual, quarterly and interim results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

KPMG is the external auditor of the Company. As required under the CG code, the Audit Committee held a meeting with KPMG, in the absence of Management, to discuss matters relevant to the audit. No matter of significance arose from this meeting. The Group has also established whistle-blowing channels which allows the Group's finance department and risk management department employees to report any misconduct behavior.

The reporting responsibilities are set out in the Independent Auditor's Report on pages 78 to 83 of this Annual Report.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Chen Chaolin (independent non-executive Director), Mr. Xie Mianbi (independent non-executive Director) and Mr. Huang Dake (executive Director). Mr. Chen Chaolin currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to evaluate the performance, make recommendations on the remuneration of our senior management, executive Directors and non-executive Directors to members of the Board, review and approve compensation payable to executive Directors and management for any loss or termination of office, and also review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct.

The major objective of our remuneration policy is to develop and review the remuneration package of individual executive Director and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, goals and objective of the Company, and recommend the remuneration proposals to the Board and ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 1 meeting for the year ended 31 December 2021. The Remuneration Committee has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company, assessing performance of our executive directors and the effectiveness of the Remuneration Committee.

All our Directors are entitled to a fixed Director's fee which was recommended by the Remuneration Committee, determined by the Board and approved by Shareholders.

Details of the remuneration of the Directors are set out in note 9 to the consolidated financial statements in this report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Zhou Shiyuan (executive Director), Mr. Tu Liandong (independent non-executive Director) and Mr. Xie Mianbi (independent non-executive Director). Mr. Zhou Shiyuan currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and Board Committees and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy, identify individuals suitably qualified to become board members and make recommendations to the Board, assess the independence of independent non-executive Directors, determine and review the Board's diversity policy and nomination policy and recommend to the Board on the appointment or re-appointment of Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates much be able to meet the standards as set forth in Rules 5.01 and 5.02 of the GEM Listing rules.Qualified candidates will be recommended to the Board for approval.

The Nomination Committee held 1 meeting for the year ended 31 December 2021. The Nomination Committee has reviewed the terms of reference of the Nomination Committee, diversity policy of the Board and its effectiveness for the Company's development, recommend to the Board on the re-election of Mr. Zhou Shiyuan, Mr. Chen Xinwei, Mr. Ke Jinding and Mr. Tu Liandong, structure, size and composition of the Board and assessed independence of the independent non-executive Directors and its effectiveness.

BOARD MEETINGS

The Company intends to hold Board meetings regularly, at least four times a year. A notice will be given not less than 14 days for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. A Director may attend the Boards meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The joint company secretaries of the Company are responsible for preparing and keeping the documents and records of Board meetings. Draft minutes with sufficient details of the matters considered and decisions reached and final versions of each Board meeting and Board Committee meeting will be sent to all Directors or committee members for their comments within a reasonable time after the date on which the meeting is held.

Apart from the above regular Board meetings of the Year, the board will meet from time to time on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. For all the other Board meeting, reasonable notice are given to all the Directors.

Under recommended best practices D.1.5 of the CG Code (which has been re-numbered as recommended best practice C.1.6 of the CG Code since 1 January 2022), independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. During the Reporting Period, Mr. Chen Chaolin, Mr. Tu Liandong and Mr. Xie Mianbi attended all Board and respective Board Committee meetings, as well as the general meeting of the Company on 18 June 2021.

In addition, in order to facilitate open discussion with all the independent non-executive Directors and at their request, the chairman will meet with the independent non-executive Directors, in the absence of executive Directors and senior management, at least once a year after a regular Board meeting.

The attendance record of each of the meetings of the Board and Board Committees and general meetings held are set out in the table below. The Directors did not authorise any alternate Director to attend Board, Board Committee or general meetings.

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General**
Executive Directors					
Mr. Zhou Shiyuan	5/5	N/A	1/1	N/A	1/1
Mr. Chen Xinwei	5/5	N/A	N/A	N/A	1/1
Mr. Huang Dake	5/5	N/A	N/A	1/1	1/1
Non-executive Director					
Mr. Ke Jinding	5/5	4/4	N/A	N/A	1/1
Independent non-executive Directors					
Mr. Chen Chaolin	5/5	4/4	N/A	1/1	1/1
Mr. Tu Liandong	5/5	4/4	1/1	N/A	1/1
Mr. Xie Mianbi	5/5	N/A	1/1	1/1	1/1

GENERAL MEETINGS

During the year ended 31 December 2021, the Company convened one general meeting held on 18 June 2021. All Directors attended this meeting.

UPDATES ON DIRECTORS' INFORMATION

During the Reporting Period, there were no changes in the information of Directors which are required to be disclosed herein pursuant to Rule 17.50A(1) of the GEM Listing Rules.

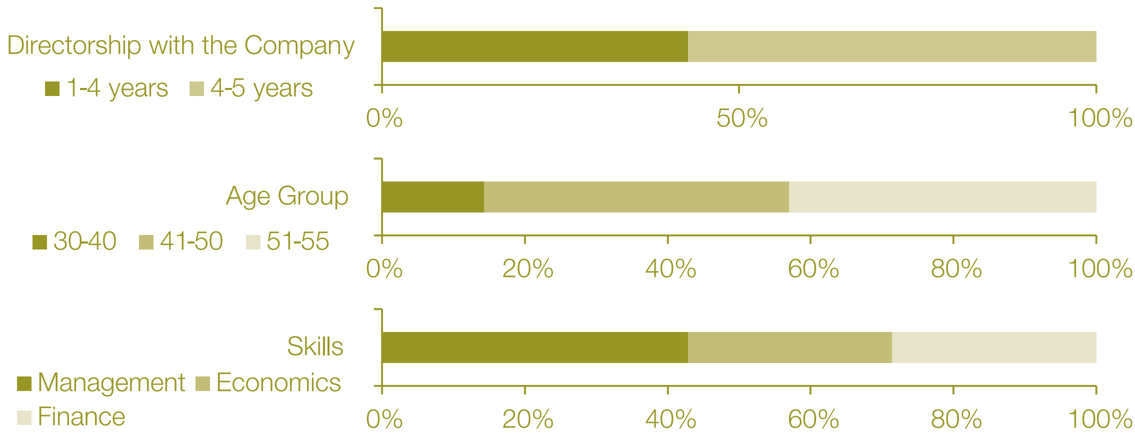
CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. During the Reporting Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Code of Conduct, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Board Diversity Policy**") which follows the practice as set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, at least annually, as appropriate, the policy to ensure the effectiveness of the policy.

Notwithstanding the fact that our Board currently comprises a single gender board, we believe that achieving diversity in our Board members is vital in improving the quality of decision making in the board and the performance of our Group. With a view to achieve sustainable and well-rounded development and with the means to increase diversity in our Board as a critical part of achieving our strategic goals, it is our plan to appoint at least 1 female Director into our Board before 31 December 2024. A series of practices have been put into place, including insisting in not using gender as a selection criteria in our recruitment process, increasing the quality of our recruitment, and offering equal occupational opportunities in management positions to female employees in order to ensure that we can attract and nurture a pool of talents to fulfill our board diversity goals.



In addition to our Board Diversity Policy, we also strive to achieve diversity across our entire workforce. A detailed breakdown of our employees by gender and age group is set out in pages 69 to 70 of this annual report.

NOMINATION POLICY

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall call a meeting with the list and information of the candidates. For proposing candidates to stand for election at a general meeting, a circular which contains the names, brief biographies, independence, proposed remuneration and any other information as required pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to propose that certain person for election as a Director within the lodgment period. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference:

- Reputation and integrity;
- Experience and accomplishment in finance leasing industry, including but not limited to, business development, risk control, leaseback management, relationship with customers and etc.;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable);
- Board diversity, including but not limited to, gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board; and
- For the candidate who is currently an employee of the Company, his performance, contribution, employment period, integrated assessment and etc.

SERVICE CONTRACTS OF DIRECTORS

Each of the Directors has entered into a service contract with the Company and each service contract is for a term of three years. Directors shall be elected by our Shareholders at the Shareholders' general meeting with a term of three years. Each independent Director can be extended upon re-election.

Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors which is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

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

JOINT COMPANY SECRETARIES

Ms. Wang Yingqin ("**Ms. Wang**"), the legal affairs department manager of our Group, is the compliance officer and one of the joint company secretaries. Ms. Ng Ka Man ("**Ms. Ng**"), a manager of the Listing Department of TMF Hong Kong Limited, the external service provider, is our joint company secretary. Ms. Wang is her primary contact person of the Company. Both Ms.Wang and Ms. Ng, as the joint company secretaries, have complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

Ms. Wang graduated from Huaqiao University in 2006 with a bachelor's degree in law. She is qualified to practice PRC law. Ms. Ng obtained her master degree in Corporate Governance from The Open University of Hong Kong in 2011. She is member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

RESPONSIBILITIES OF FINANCIAL REPORTING

The Board acknowledges its responsibility to prepare our Group's financial statements which give a true and fair view of our Group's state of affairs, results and cash flows for the quarterly, interim and annual reports and other disclosures according to the GEM Listing Rules, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance.

Our Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. 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. To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions that may affect the business of our Group or cast doubts on its ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

KPMG has been appointed as the external auditor of the Company and provided an annual confirmation of their independence to the Audit Committee for the year ended 31 December 2021. They confirmed that they are not aware of any matters which could be reasonable through to bear on their independence.

The Audit Committee has been notified, reviewed and approved of the nature and the service charges of these audit and non-audit services performed by KPMG. For the year ended 31 December 2021, the remunerations paid or payable to KPMG in respect of audit and non-audit services provided to our Group were (i) RMB700,000 for the audit service, and (ii) RMB360,000 for the non-audit service of interim review. The Audit Committee considered such services have no adverse effect on the independence of the external auditor.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor under the annual review.

COMMUNICATION WITH SHAREHOLDERS

The Company aims to, via its corporate governance structure, provide all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. The Company ensures that information is appropriately disseminated to Shareholders on a timely basis in compliance with the Listing Rules. The Company convenes the Shareholders' general meetings with the notice of the meeting and separate resolutions in printed form or electronic form by posting on the websites of the Stock Exchange and the Company in compliance with the CG code and the relevant rules and regulations.

The Company highly values the opinions, suggestions and concerns of the Shareholders. The chairman of the Board, Board Committees and the auditor will attend the annual general meeting to answer questions and Shareholders are provided with an opportunity to communicate face-to-face with the Directors.

CONVENING EXTRAORDINARY GENERAL MEETINGS

Pursuant to the Articles of Association, any Shareholder(s) at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days, such Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by such Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Shareholder(s) by the Company.

Shareholders could use the same way of convening an extraordinary general meeting as above to put forward proposals in details at general meetings. Any requisitions to convene extraordinary general meetings or proposals at general meetings can be sent to the Company for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

ENQUIRIES TO THE BOARD

The Company encourages Shareholders to attend Shareholders' meetings and make enquiries by either directly raising questions to the Board and Board Committees at the general meetings or providing written notice of such enquiries for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

CONSTITUTIONAL DOCUMENTS

Pursuant to the resolutions of the Shareholders passed on 20 June 2018, the Articles of Association was adopted with effect from the Listing Date and was amended on 4 August 2020 pursuant to the resolution of the Shareholders passed at the extraordinary general meeting held on 19 June 2020. There was no change to the Company's constitutional documents during 2021.

The Articles of Association are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

During the Reporting Period, the Company has maintained corporate transparency and communications with the Shareholders through timely distribution of financial reports, latest news, announcements and/or other publications. The Company adopted a policy of disclosing relevant information to shareholders and public in a timely manner:

- the Company makes announcements pursuant to the requirements of the Listing Rules on the Exchange's website and the Company's website;
- the Company maintains a library of corporate information, including announcements, circulars and financial reports at the Company's website for reference purpose, which also provides an effective communication platform to keep the market abreast of the latest developments;
- the Company provides a forum at the annual general meetings for shareholders to meet and communicate with management; and
- reports and circulars are distributed to all registered Shareholders.

The Company welcomes suggestions from investors, stakeholders and the public. Shareholders can express their views to our board by providing the same to the Company for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company has reviewed the effectiveness of the Company's communication policy and is of the view that the communication policy of the Company is adequate in maintaining effective communication between shareholders and the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, our Group is committed to maintaining comprehensive risk management and internal control systems that enhance our overall strategy and long-term strategic position while addressing various risks, including credit risks, market risks, operational risks, liquidity risks, strategic risks and reputational risks. Our Group has implemented a comprehensive and effective risk management system with stringent procedures and measures in place, including multi-level assessments and approval processes, to offer our customers customized repayment plans and interest rates based on their respective credit profiles and historical transaction records. The final review and approval are conducted by our risk management department and our general manager respectively. The major steps of our due diligence and risk assessments are set out below:

– After understanding our potential customer's financing needs, we would request the potential customer to provide a series of documentation to prove that it is a legally valid entity and to understand the business production and financial situation of the potential client. Due diligence works including public searches, on site visits, and due diligence interviews with various parties will also be conducted by our operations team to fully grasp the potential customer's financial status and business operations.

– Upon preliminary review, the operations team will pass files which are deemed potentially feasible to the credit management department for further examination and review. Our credit management department shall conduct a full due diligence investigation and risk assessment, feasibility assessment, and raise any potential red flags, and produce a project investigation report, which shall be approved by the risk management department and provided for the project review committee's consideration.

– Upon review of the relevant project investigation report, the project review committee shall resolve whether to proceed with the relevant project.

– For projects which shall be proceeded with, the general manager shall also conduct a final on-site inspection.

We also, depending on the location of our customers, conduct regular post-grant reviews to monitor our customers' financial condition and the sustainability of their business operations. We adopt more stringent debt recovery and post-grant management when dealing with customers who has defaulted or with default risk to prevent the deterioration of default situation, and proactively communicate with customers on the onset regarding potential solutions. With regards to customers with severe defaults, our operations and risk management department will proactively explores potential solutions. For instance, our operations team will contact our customers 3 days before and on each payment date to remind our customers of payment, and will issue further letters if payment is not made. If the cases involves legal proceedings, our legal department will take charge and collect sufficient evidential documentation to assists in bringing legal actions. During the Reporting Period, we have added Qiaoxin and Baiying Paper to our business portfolio, and as such we have compiled and prepared, as well as regularly perfected according to regulatory requirements, internal control policies tailor-made to the specific business nature and industry.

The COVID-19 pandemic has undoubtedly adversely affected us during the Reporting Period, but the Company have continued to put in place corresponding adjustments in risk management and internal control. When establishing new customer relationships, we will not only analyse and evaluate their credit status, production and operation, but also consider and understand the impact of the epidemic on their production and operation, and start cooperation more carefully. In terms of pre-tenancy assessment and post-tenancy management, we arrange inspection and due diligence activities in strict compliance with the requirements of epidemic prevention and control, and actively follow up the epidemic status and related impacts in the customers locations. In terms of risk management, we diligently organise on-site inspections to better understand customer circumstance, and engage in continuous communications with various parties to deal with the temporary closure or shortening of working hours of approval authorities due to the COVID-19 pandemic in order to prevent delay in our business processes. In terms of our daily operations, we strictly adhere to the local regulatory requirements regarding to disease control and prevention, and devise reasonable and flexible working arrangement for our employees including online meetings, provide our employees with disease prevention equipment and conducting regular sanitation of work premises as well as promoting COVID-19 related policies. Our Group believes that the risk management system we have in place is effective in reducing our exposure to the various risks inherent in our operations.

The Board oversees and manages the overall risks associated with our operations. Our risk management department is responsible for assessing, managing risks and discussing solutions at the operational level. The Audit Committee meets with the head of the risk management department to address material internal control defects (if any) and the results of risk assessment to the Board for its review. The Board oversees our Group's risk management and internal control systems on an ongoing basis. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board conducts an annual review of the effectiveness of our risk management and internal control systems covering all material aspects. During the Reporting Period, we have improved our internal reporting procedure to ensure our further compliance. The Board considered the risk management and internal control systems were effective and adequate in all material aspects in both design and operation.

The Company is fully aware of its obligations under Chapter 17 of the GEM Listing Rules and the SFO and the overriding principle that inside information of the Company should be announced immediately. The Company reviews from time to time its internal policies and guidelines on inside information or potentially price sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the SFO.

During the Reporting Period, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications. The purpose of streamlining the communications of the Company with the media is to regulate all media communication activities, protect the interests of the Company and to keep inside information strictly confidential prior to its disclosure. The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under the current circumstances, taking into account the current structure and scope of the Company's operations.

ABOUT THE REPORT

Report Overview:

This report is the fourth Environmental, Social and Governance ("**ESG**") Report issued by Baiying Holdings Group Limited, which discloses our ESG performances and management policies.

Reporting Period:

This report is an annual report covering the period from 1 January 2021 to 31 December 2021.

Reporting Scope:

This ESG Report focuses on ESG matters prioritised by the Group in relation to the Company and its principal subsidiaries as listed in Note 14 to the consolidated financial statements. Entities included in this ESG Report covers the major operating segment of the Group.

Preparation Basis of the Report:

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in the Appendix 20 of the GEM Listing Rules.

Data Explanation:

The relevant information of this report is extracted from statistics in the internal system of our Group.

Review of the Report:

The report has been reviewed and approved by the Board on 24 March 2022.

Publication of the Report:

This report should be published in printed form and electronic form.

1 ABOUT US

1.1 Group Profile

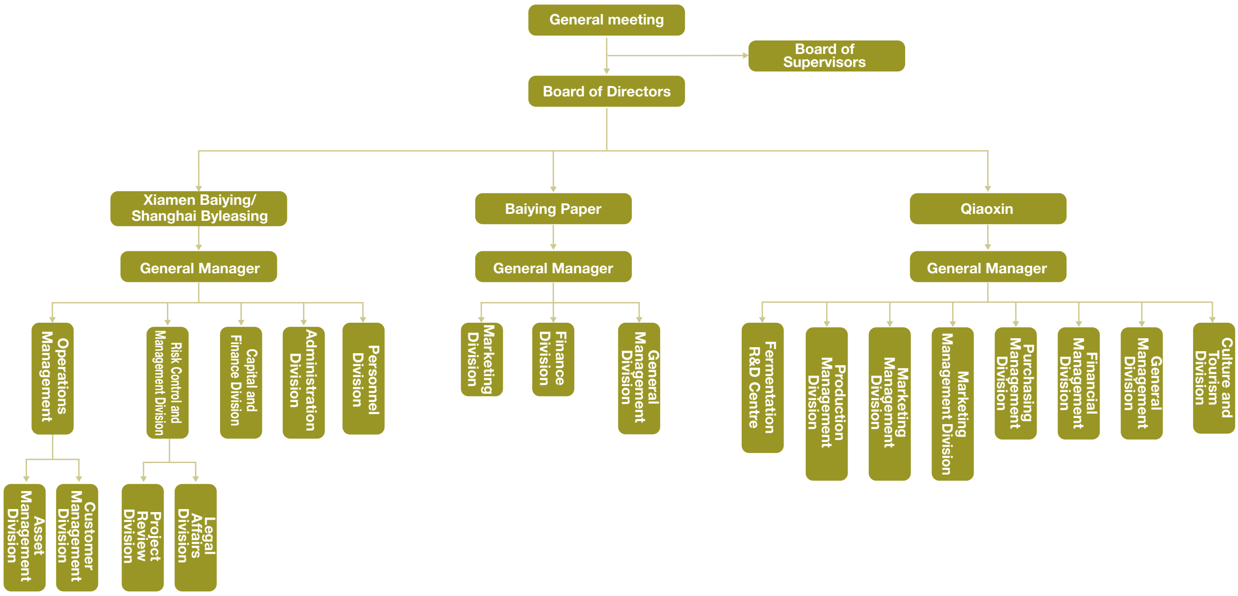
Our history can be traced back to March 2010, in which our principal operating subsidiary, Xiamen Baiying Leasing Co. Ltd., was incorporated in Xiamen. We were officially listed on GEM on 18 July 2018 (stock name: Baiying, stock code: 8525). We are a finance leasing company in Fujian Province, dedicated to providing equipment-based financing solutions to SMEs and entrepreneurial individuals. We have the qualifications to conduct finance leasing and commercial factoring for receivables and related businesses. As we move forward enhancing our finance leasing and factoring businesses, with an aim to diversify our business, we founded Fujian Yongchun Qiaoxin Brewing Co., Ltd.* (福建永春僑新釀造有限責任公司) ("Qiaoxin"), an edible vinegar manufacturer, in the PRC on 23 April 2020. We established Fujian Baiying Paper Co., Ltd. ("Baiying Paper"), mainly engaged in the trading business of paper products, in the PRC on 13 January 2021. As of 31 December 2021, Baiying Paper operates well, and Qiaoxin runs on a trial basis and has not come into formal production.

In the finance leasing business segment, we provide customised services to meet specific needs and requirements of our customers by closely interacting with them to determine the appropriate interest rates, repayment plans and terms of our services based on their businesses, cash flows and source of payment. Over years, we have accumulated experience in meeting financing needs of customers from major sectors such as automobile, textile, architectural decoration and metal products. We have more than 1,000 customers spreading over 20 provinces since our establishment. Since the establishment of Baiying Paper, we have cooperated with well-known paper mills in the industry to provide paper products to meet customer needs according to their intentions. Following the formal production of Qiaoxin, we will be committed to providing customers with high-quality, safe and healthy condiments.

Looking ahead, we will continuously increase investment in new businesses while consolidating our main business of finance leasing to diversify our businesses. In terms of social responsibility, we will adhere to the development of inclusive finance, insist on serving micro, small and medium-sized enterprises (MSMEs) and individuals, and constantly improve the scale and scope of services. As for environment, we will advocate environmental protection in an all-round way and reduce environmental costs. As far as corporate governance is concerned, we will actively improve the corporate management system and strengthen risk management and compliance management. Meanwhile, we will actively serve the real economy, meet customer needs through trade transactions, and devote ourselves to the food industry, so as to contribute to shaping a harmonious and sustainable social environment.

1.1.1 Corporate Governance

Our Group strictly complies with relevant laws and regulations, including but not limited to, the Company Law of the PRC (中華人民共和國公司法) and the Listing Rules. We are committed to ensuring a sound corporate governance structure and maintaining a high standard of corporate governance to safeguard the interests of investors and other stakeholders (see "Corporate Governance Report" for details). The governance structure of the Group is as below:



1.1.2 ESG Management

We continue to strengthen our ESG management and incorporate that into our business management to promote our Group's sustainable development, as well as realize and protect the most important interests of our investors, employees and other stakeholders. The Board proactively participates in relevant processes of ESG reporting, and are responsible for assessing and determining the ESG-related risk, ensuring the development of a suitable and effective ESG risk management and internal control system and finally approving the ESG policies and ESG report. ESG executive team included the Group's management and representatives of administration and personnel departments. They are responsible for preparing the ESG report and compiling information on relevant performance indicators, promoting the execution of ESG policies in all departments and reporting to the Board on the implementation of ESG projects. Under the supervision of the Board and ESG executive team, each department of the Company will actively work together for the implementation of ESG report.

This ESG report was prepared in accordance to the Environmental, Social and Governance Reporting Guide and the rules of "Comply or Explain" as set out in the Appendix 20 of the GEM Listing Rules. During the process of preparing this ESG report, the working group complied with the following four reporting principles as set out in the "Environmental, Social and Governance Report":

Reporting principles-Materiality	In consideration of the demands of internal and external stakeholders, the Group determines and prioritises the substantive environmental and social issues based on the requirements of the "ESG Reporting Guide" and the feedbacks from the questionnaire.
Reporting principles-Quantitative	The Group conducts and publicly report the quantitative measurement to correctly evaluate the effectiveness of ESG policy and measures.
Reporting principles-Balance	The Report provides an unbiased picture of the Group's performance during the Reporting Period to avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.
Reporting principles-Consistency	The Group adopts consistency methodology and, where feasible, makes meaningful comparisons of ESG KPI. The relevant information of this report is extracted from statistics in the internal system of our Group.

1.1.3 Improving Internal Control and Compliance

The Board is responsible for supervising the design, implementation and supervision of the risk management and internal control systems conducted by the management. The Board annually reviews the effectiveness of the risk management and internal control systems of our Group, assesses whether the risk management institutions, management process and staff deployment meet the requirements of the risk management, as well as supervises whether the overall regulatory requirements are satisfied in terms of finance, operation and compliance. The Board reports to the Shareholders the risk management and internal control work during the Reporting Period in the Corporate Governance Report annually.

1.1.4 Stakeholder Analysis

As a listed group on GEM, we place great emphasis on fulfilling our environmental, social and governance responsibilities. In addition to ensure our operation is conducted in compliance with the laws and regulations, our Group attaches great importance to communication with the stakeholders, including government, Shareholders and investors, customers, suppliers and employees. By establishing an effective and diversified communication platform, we could timely understand their demands and actively make corresponding responses.

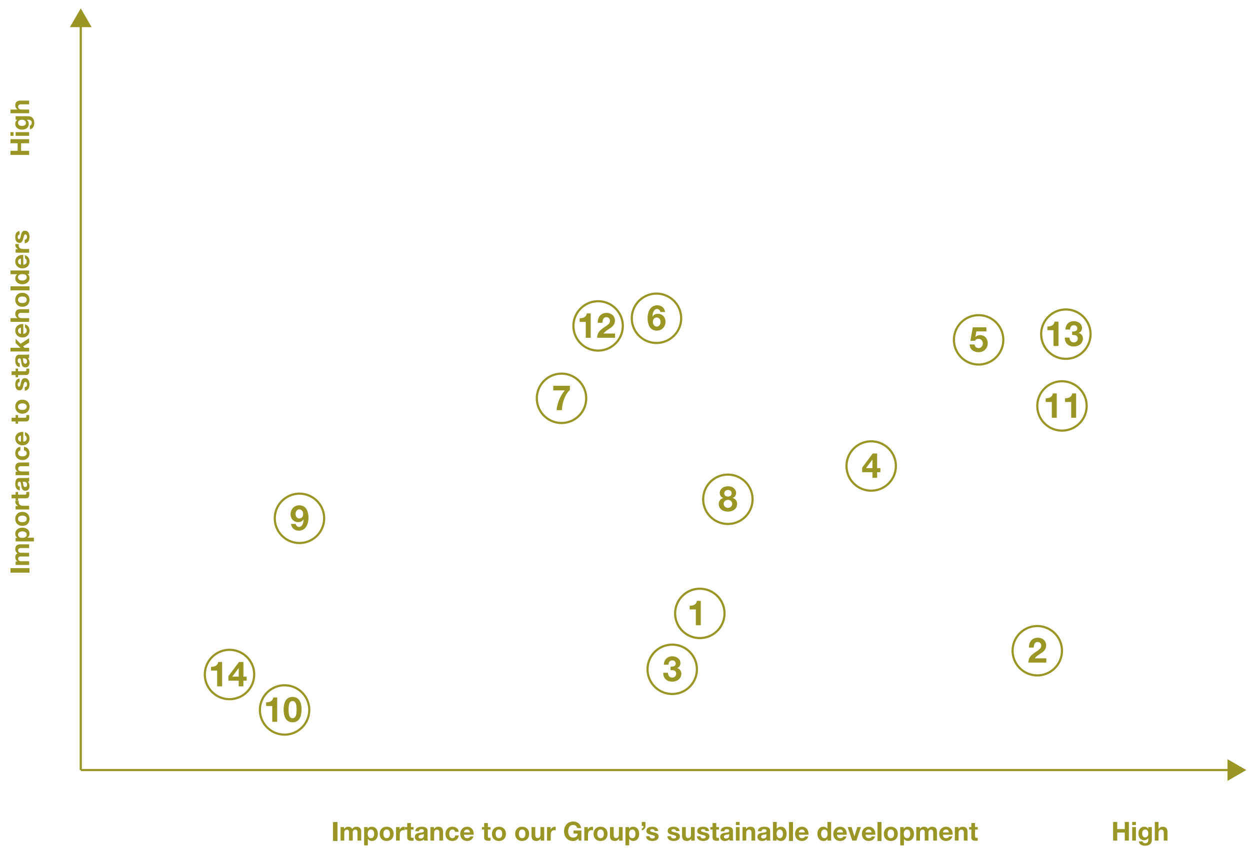
Stakeholders	Demands	Communication Platform	Responses
Government	Promoting economic development Anti-corruption Green operation	Government document Special report Government visit receptions On-site checking and inspection	Serving the real economy Supporting the SMEs Promoting paperless operation
Shareholders and Investors	Strengthen corporate governance	General meeting Regular notice The Group's website	Steady operation, optimising the distribution of dividend Improving operation performance
Customers	Safeguarding customers' information Product quality assurance	Regular communication Regular visit Customer feedback Complaint mechanism Ensuring product quality	Improving service quality Strengthening the protection of customer rights and interests Enhancing the support for small and micro enterprises Product information disclosure
Suppliers	Fair procurement Long-term stable partnerships Mutual benefit and win-win result	Regular assessment Customer specification	Refining management system of suppliers Establishing long-term partnership with suppliers Fair and open procurement principles
Employees	Employee career development Protecting employee rights and interests Employee remuneration and benefits Employee trainings	Internal website Employee trainings Mailbox of Human Resources Department	Protecting employee basic rights and interests Refining remuneration and incentive schemes Listening to employees' opinions

Materiality Assessment

The Group believes that sound ESG performance is important to the Group's sustainable business development and the whole community. With the assistance of an independent third-party consultant in 2018, the Group started identifying each of the material issues in respect of environment, society and governance that might affect the Group's businesses or stakeholders. The Group is committed to protecting and improving the ecological environment and social factors and minimising the impact of its activities on the environment. Throughout the stakeholder engagement exercise, the Group's management have assisted the Board to review its operations, identify key ESG issues and assess the importance of these issues to its businesses and stakeholders. It is the Group's policy to promote environmentally friendly operation, thereby gradually achieving the coordinated development of the Group, the environment, and the society. The Group will keep creating value for stakeholders and supporting charities and environmental protection.

1.2 Materiality Matrix

Our Group considers the demands of the stakeholders and our Group's long-term strategic development, and determines the issues based on the requirements of the "ESG Reporting Guide" and the feedbacks from the questionnaire.



1. Supporting the SMEs
2. Serving the Real Economy
3. Improving Corporate Governance
4. Improving Internal Control and Compliance
5. Management on Suppliers
6. Employee career development
7. Caring for Employees
8. Protecting Employee Rights and Interests
9. Advocating Green Operation
10. Climate Change
11. Contributing to the Community
12. Protecting Consumer Rights and Interests
13. Improving Service Quality
14. Product Health and Safety

2 ECONOMIC RESPONSIBILITIES

Along with the industrial reform and equipment upgrade in China, the steady growth of China's fixed-asset investment volume creates a greater potential for the development of the finance leasing industry. Our Group's growth benefits from the economic support of Fujian Province, and therefore, our Group regards enhancing its capability of serving the real economy as its own responsibility, and is dedicated to providing finance leasing services to customers, especially the SMEs. Through providing such services, we have not only achieved mutual benefits with our customers, but also provided a more convenient financing channel for the SMEs. In addition, the Group expanded its business scope and established Baiying Paper and Qiaoxin. It tied suppliers and customers in need via the trade of paper products, creating a triple-win situation. With construction of a new factory and introduction of equipment in Yongchun, the Group recruited local people to promote local employment, led local specialties to the national market, and provided support for the real economy through multiple channels.

2.1 Serving the Real Economy

In order to satisfy the actual diversified and differentiated needs of customers and serve the real economy, the Group has set foot in many fields to directly or indirectly serve the real economy. The Group supports the real economy by providing finance leasing and factoring services to customers in energy, vehicles, textiles, architectural decoration, metal products, etc. As of 31 December 2021, the Group recorded revenue of RMB17.62 million from the trade of paper products. Qiaoxin is expected to be put into production in early 2022, which will enrich the condiment market with high-quality products and actively promote the development of local vinegar brewing industry.

2.2 Supporting the SMEs

As one of the few small financial groups in the leasing industry in Fujian Province, our Group recognises that we should be the vital driver in supporting the development of SMEs in response to the national policy of supporting these enterprises. Our Group's service targets are mainly SMEs and entrepreneurial individuals. In accordance with the principles of risk controllability and business sustainability, the Group formulated scientific and practical finance leasing plans for SMEs to provide them with financing channels to support their sustainable development, addressed their constantly emerging liquidity needs, and promoted the harmonious and sustainable development of the society. As of 31 December 2021, the net finance leasing amount for supporting SMEs provided by the Company totalled RMB204.20 million and the net factoring receivables totalled RMB33.56 million. As of 31 December 2020, the total net finance leasing amount for supporting SMEs amounted to RMB309.34 million, while the total net factoring receivables amounted to RMB7.54 million.

2.3 Anti-financial Crime

All businesses operated by our Group complied with the national and local laws and standards regarding anti-bribery and anti-money laundering. In accordance with the Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法), Anti-Money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) and relevant regulations, we have established a series of internal policies and procedures, such as anti-money laundering system, and anti-bribery and anti-corruption code of conduct, in order to avoid the risks of financial crime. As of 31 December 2021, there was no corruption cases in our Group, neither any outstanding or concluded litigations regarding corruption have brought against our Group or our employees.

Employees of our Group must strictly comply with the relevant local laws and regulations concerning anti-bribery and anti-corruption. Our employees shall report to the senior management and general management department and wait for feedbacks in the event that they have conflict of interest with their duties during their terms of employment. If employees find violations of relevant laws and regulations regarding corruption and bribery and the requirements of our Group, all confirmed cases will be seriously dealt with; and for the case of violation of national laws and regulations, it shall be passed to the judicial authority for handling.

Our Group has set up a leading team for anti-money laundering and the general manager acts as the leader. The team is responsible for organising and planning the anti-money laundering work, establishing a sound management mechanism for anti-money laundering as well as organising and arranging the drafting and revision of relevant policies and procedures. The team also monitored the information and status of the anti-money laundering work in accordance with actual business conditions and made corresponding recommendations. Besides, it issued the latest anti-money laundering laws and regulations and case data on a regular basis, and conducted necessary promotion and training on anti-money laundering to our directors and employees. The Group has also established a whistle-blowing channel which allows our employees to report any potential misconduct.

In 2021, our Group also distributed to our employees training materials relating to anti-money laundering, including Anti-Money Laundering Law of the PRC amendment bill (《反洗錢法》修訂草案), and provided related explanations, engaged in in-depth discussions, as well as shared recent prominent anti-money laundering cases. Our employees are expected to peruse the relevant materials and increase awareness and be vigilant to its occurrence.

3 ENVIRONMENTAL RESPONSIBILITIES

As an environmentally responsible corporation, we conduct a full detailed environmental assessment before commencement of new business, including Qiaoxin and Baiying Paper. Prior to the construction of Qiaoxin's factory, a professional third-party body was appointed to evaluate factory construction and subsequent production process, and issue an environmental impact statement for the project. The Quanzhou Municipal Bureau of Ecology and Environment of Fujian Province recognises that the control measures proposed by the Group for exhaust gas, wastewater and solid waste that may be generated in the construction and production process can alleviate and control the adverse impact on the environment. Qiaoxin operated on a trial basis and did not come into formal production during the Reporting Period. Baiying Paper is mainly engaged in the trade of paper products and is not involved in the production process. Nevertheless, we still strove to minimise the impact on the environment and natural resources and strictly complied with the national and local laws and regulations, such as Environmental Protection Law of the PRC (中華人民共和國環境保護法), Law on the Prevention and Control of Atmospheric Pollution of the PRC (中華人民共和國大氣污染防治法) and Law on the Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法). We identified and evaluated various environmental factors, effectively improved the efficiency of resource and energy use, reduced emissions of gas, wastewater and waste, and took the initiative to assume more environmental responsibilities.

During the Reporting Period, our Group urged and encouraged employees to focus on rational use of electricity, water conservation, green office and low-carbon travel, and identified a number of feasible measures:

Rational Use of Electricity

Use energy-efficient appliances, and switch off unnecessary lighting and replace incandescent lamps. Switch to low-power sleep mode when the equipment is not in use. Set the air conditioner's temperature based on the weather, and keep the indoor temperature no lower than 26 degrees Celsius in summer.

Water Conservation

Raise the awareness of water conservation. Turn down the tap, foster good water consumption habits and learn to recycle water resources. Check whether there are dripping and leakage on a regular basis.

Low-carbon Mobility

Encourage employees to go out by public transportation to minimise the frequency of using company cars. Choose vehicles or new energy vehicles with low energy consumption and less pollution when acquiring new company cars

Green Office

Opt for paperless procedures wherever practicable, reduce the frequency of printing and faxes and promote two-sided printing and copying. Lower the brightness of the display in the extent that not affecting the vision and turn off the display when not in use for a long time.

3.1 Use of Resources

After continuous exploration and attempts, we standardised the whole process of the utilisation of electricity, water, packaging materials and other resources in the production process of Qiaoxin, so as to increase the resource use efficiency and reduce the resource consumption in the operation process. During the Reporting Period, Qiaoxin operated on a trial basis and did not come into formal production.

Management on water resources

According to production techniques and relevant local laws, regulations and standards, Qiaoxin has formulated the "Production Water Quality Management Regulations" to ensure the scientific, rational and efficient use of water resources and to standardise water use behaviour. In the meantime, we actively advocated water conservation culture and stepped up efforts on the conservation of water resources.

The Group did not encounter any problem in sourcing water that is fit for purpose.

Management on packaging materials

The packaging materials used in the production of Qiaoxin are mainly paper, glass and plastic. Qiaoxin had no finished product during the Reporting Period, so we did not purchase packaging materials in large quantities except for a small number of samples.

During the Reporting Period, we collected the environmental data regarding the use of resources of the headquarters of our Group and principal place of business in the PRC (located at Unit 1, 30/F, No. 77 Tainan Road, Siming District, Xiamen City, Fujian Province, the PRC), as well as Qiaoxin (Room 01, Floor 3, No. 196, Xibin Road, Wulijie Town, Yongchun County, Quanzhou City, Fujian Province).

Use of Resources	Unit	2021
Electricity consumption	kWh	**47,687.00**
Electricity consumption per capita	kWh/person	**1,109.00**
Fuel consumption	Litre	**11,667.78**
Fuel consumption per capita	Litre/person	**271.34**
Natural gas consumption	Cubic metre	**6,569.46**
Natural gas consumption per capita	Cubic metre/person	**152.78**
Water consumption	Ton	**3,594.72**
Water consumption per capita	Ton/person	**83.60**
Copy paper consumption	Ton	**0.25**
Copy paper consumption per capita	Ton/person	**0.01**

Since our financial leasing business and sales of packaging and paper products business does not involve actual production, therefore our use of resources merely comprises water, electricity and other office supplies used in our work premises as well as emissions generated in the course of our transportation. In this regard, our Group demands that our employees to be environmentally-friendly at all times, and to adhere to the environmental protection policies mentioned above, to increase resource usage and reduce waste. The business of Qiaoxin involves production and processing, and while Qiaoxin have not yet commenced full production, we have since its construction stage to the current trial production stage engaged in a standardized production process in terms of use of resource. During the trial production stage, under the precursor that product quality will not be compromised, the production department continues to communicate with equipment manufacturers, in order to strive to improve equipment, control energy consumption, and carry out production in a more environmentally friendly and efficient manner. It is expected that by the time Qiaoxin commences full production, the production department will strictly calculate the production energy consumption of various products, formulate energy consumption standards, and strictly implement them in the subsequent production process, and continue to refine the production process.

3.2 Emission

Compliant emission is the Group's minimum requirement. On this basis, the Group actively explores effective measures to reduce emissions. In accordance with relevant laws, regulations and standards, including the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC, the Law on the Prevention and Control of Atmospheric Pollution of the PRC and the Regulations on Safe Management of Hazardous Chemicals, the Group formulated a strict emission management system combining production techniques, which minimised pollution to the environment.

Wastewater discharge management

In strict compliance with the Law on the Prevention and Control of Water Pollution of the PRC, the Integrated Wastewater Discharge Standard and the Limits for Indirect Discharge of Nitrogen and Phosphorus Pollutants from Wastewater of Industrial Enterprises, the Group was equipped with waste water treatment equipment with a daily treatment capacity of 10 tons to dispose of the waste water generated during production and operation. The waste water was discharged to the pipelines designated by municipal governments after treatment. The household waste water from canteens, washrooms and toilets will be discharged according to municipal requirements.

Solid waste management

The Group strictly complied with relevant laws, regulations and measures, in relation to solid waste management, including the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC, the National Catalogue of Hazardous Wastes, the Measures on the Prevention and Control of Environmental Pollution of Hazardous Chemical Waste, and the Measures on the Management of Hazardous Waste Manifests. During the Reporting Period, new waste management system has been formulated to ensure proper disposal of waste. We divide the waste generated during production and operation into production waste, household waste and office waste. In previous years, the non-hazardous wastes of our Group were mainly household wastes that were disposed of by the property management group of the building. However, due to the project construction of Qiaoxin from 2020 to 2021, the construction wastes generated mainly include steel bars, ordinary muck and construction wastes. The steel bars were recycled by the construction contractor, and the ordinary muck and construction waste were transported out of the factory by the builder.

In addition to solid wastes generated during construction, the wastes we mainly disposed of were "distiller grains" and "vinegar residue" generated in the production process of alcohol and vinegar. As vinegar was still in trial production during the Reporting Period, the only waste was "distiller grains". The Group plans to recycle distiller grains as fertilisers, feeds, etc., and is actively communicating with relevant units and surrounding farmers. Solid waste such as plastic, metal waste and paper made up a relatively small portion of our total waste. Our hazardous waste is mainly office electronic waste such as ink cartridges, toner cartridges and ribbons. In order to properly dispose of hazardous wastes, all used ink cartridges and toner cartridges we collected were returned to suppliers for recycling.

During the Reporting Period, the Group's solid waste discharge is as follows:

Non-hazardous wastes	Unit	2021
Construction/demolition waste	Ton	**158**
Household and office waste	Ton	**0.25**
Production waste (distiller grains)	Ton	**2.8**

Qiaoxin's main discharges are "distiller grains" and cleaning sewage produced in the production process. For the "distiller grains", because of its recyclable characteristics, we will continue to use the current recycling method; for the cleaning sewage discharge, special sewage equipment has been built in Qiaoxin Park, and sewage pipes have been adjusted and improved and constantly adjusted during the trial production process. As of the present, the equipment is capable to treat the amount of sewage that Qiaoxin is expected to reach after it is officially put into production. After commencement of full production, the production department will also continue to pay attention to the actual output of emissions, adjust the equipment emissions in a timely manner, and shoulder corporate environmental responsibility.

The Group not only seeks ways to recycle waste from its own perspective, but also promotes sustainable development to the society and calls on consumers to make joint efforts to reduce emissions.

Exhaust gas management

Since 2018, our Group, which attaches great importance to exhaust gas emission management, has begun to record statistics on and calculate greenhouse gas ("GHG") emissions caused by our businesses. With reference to the Reporting Guidance on Environmental KPIs, our Scope I GHG emissions comprise mainly exhaust gas generated by company cars of the Group; Scope II GHG emissions comprise mainly indirect emissions generated from purchased electricity of our Group and direct emissions from purchased natural gas of Qiaoxin; and Scope III GHG emissions comprise mainly GHG emissions from employees' business travel by plane. Qiaoxin will not produce hazardous exhaust in the production process, and only a very small amount of nitrogen-containing gas will be produced in some laboratory tests conducted 1-2 times a month, which can be ignored. During the Reporting Period, Qiaoxin did not come into formal production, and no exhaust was produced. Baiying Paper is mainly engaged in the trade of paper products. Logistics and transportation are mainly completed by external transport fleets, which are managed by the Group according to the supplier management system. Committed to reducing emissions and promoting resources conservation, the Group endeavors to reduce unnecessary transport through better organizational management in order to achieve such target.

During the Reporting Period, the Group's greenhouse gas emissions are as follows:

Gas Emission	Unit	2021
Emission of nitrogen oxides (NO_x)	(kg)	**65.05**
Emission of sulfur dioxides (SO_2)	(kg)	**0.17**
Particle emission	(kg)	**6.23**

GHG emission	Unit	2021
Scope I: Direct greenhouse gas emission (CO_2 equivalent)	Ton	**27.54**
Scope II: Energy indirect greenhouse gas emission (CO_2 equivalent)	Ton	**32.98**
Scope III: Other indirect greenhouse gas emission (CO_2 equivalent)	Ton	**4.81**
Total Greenhouse Gas Emission (CO_2 equivalent)	Ton	**68.05**
Greenhouse gas emission per capita (CO_2 equivalent)	Ton/person	**1.58**

The calculation of emission is mainly with reference to the Reporting Guidance on Environmental KPIs published by the Stock Exchange.

3.3 Environment and Natural Resources

Due to the nature of our business, the operation of our Group does not cause any material effect on environment and natural resources; nonetheless, we are still proactive in making efforts to minimize all adverse effects on the environment. We take a number of factors into our consideration during the procurement process, including performance on saving energy, low carbon and recyclability. We also improve employees' awareness on environmental issues and incorporate being environmental friendly and low carbon in the Staff Handbook as a reminder. Our Group focuses on sustainable development and upholds its commitment to operate in an environmentally friendly manner.

3.4 Climate Change

Climate change remains a top global environmental issue, and investors increasingly value climate-related commitments. The Group is committed to assessing the impact of climate change on its strategic planning and operational resilience, and actively manages related risks to seize development opportunities.

The Group's finance leasing customers are from real estate construction, machinery, electronics and other industries. Among them, customers in the real estate construction industry may be directly affected by climate change. For example, extreme weather (including typhoons and high temperatures) may cause business interruption and affect construction progress and construction methods, which will pose credit risks to the Group. Under the national policies, customers in other industries may consider leasing more energy-saving and eco-friendly machinery and equipment to cut carbon emissions and reduce its negative impact on the climate.

Qiaoxin that will be put into formal production also faces the impact from climate change. The risks found after discussion include: Water scarcity hinders production. Changes in climate patterns affect the harvest of crops that are our raw materials. Regulatory and technological risks affect costs, etc.

In response to the above risks, we have discussed the possible climate impacts on the industries involved and service areas, assessed the associated risks and opportunities, and communicated with stakeholders to understand their point of view. We also actively communicated with our employees to encourage them to reduce carbon emissions from day-to-day operations where feasible. Moreover, we took climate change into account in our procurement and production process and encouraged the use of low-carbon and energy-efficient materials and production methods.

4 SOCIAL RESPONSIBILITIES

4.1 Protecting Employee Rights and Interests

Our Group considers our employees as our most valued asset for promoting the long-term and sustainable development of the Group. We are strictly in compliance with relevant laws and regulations, such as the Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法) and Social Insurance Law of the PRC (中華人民共和國社會保險法). We treat applicants and employees fairly and equally, and provide equal employment opportunity for them regardless of race, gender, religion, age, marital status and other social identities. The Group prohibits the employment of child, forced or compulsory labour. We comply with the Protection of Minors Law of the PRC (中華人民共和國未成年人保護法) and Provisions on the Prohibition of Using Child Labour (禁止使用童工規定) and stipulated the basic requirement of employment in the Staff Handbook that all employees shall be aged 18 or above. During the Report Period, there is no event involves child employment or forced labour. If the Group identifies any cases of forced labour or child labour in the future, the relevant employment contract will be terminated immediately and the relevant employees responsible for the management of human resources will be disciplined accordingly.

Our Group has formulated Staff Handbook according to the Labour Law of the PRC（中國勞動法） covering the policies of human resource and working conditions. Such as recruitment and promotion programme, training, performance appraisal, remuneration and welfare, working hours, leaves and other holidays (including wedding leave, compassionate leave and maternity leave). Such policies could clearly define the rights and obligations of both parties and safeguard the legal rights of the employees.

Statistics on Employee	Unit	2021
Headcount	person	**43**
Male Employee	person	**25**
Female Employee	person	**18**
Employee with Doctoral degree	person	**1**
Employee with Master degree	person	**2**
Employee with Bachelor degree	person	**15**
Employee with Diploma or below	person	**25**
Employees in Fujian Province	person	**36**
Employees outside Fujian Province	person	**7**
Employee aged 30 years old or below	person	**15**
Employee aged 31 to 40 years old	person	**16**
Employees aged 41 and over	person	**12**

Our Group attaches importance to improve the management of employee turnover. Pursuant to the relevant national laws and regulations, we standardize the procedures for departure, safeguard the legitimate rights and interests of resigned employees and ensure the stable operation of our Group.

Statistics on Employee Turnover	Unit	2021
Total turnover number	person	**12**
Total Turnover rate of employees	%	**21.82**
Turnover rate of male employees	%	**30.56**
Turnover rate of female employees	%	**5.26**
Turnover rate of employees of 30 years old or below	%	**11.76**
Turnover rate of employees from 31 to 40 years old	%	**33.33**
Turnover rate of employees aged 41 and over	%	**14.29**
Turnover rate of employees in Fujian Province	%	**23.40**
Turnover rate of employees outside Fujian Province	%	**12.50**

4.2 Caring for Employees

4.2.1 Health and Safety

Our Group always values employees' health and safety. We provide medical examination for our employees annually and have maintained personal medical and accident insurance for them. Our Group paid approximately RMB28,341 (2020: RMB23,732) for medical examination and employee insurance in 2021. In order to better protect employees' rights and interests, the Group purchased additional traffic accident insurance and accident injury insurance for them this year. Additionally, we conduct regular fire drills and first aid training every year to improve employees' safety skills and prevent employees from occupational safety risks. We are required under PRC laws to make contributions to employee benefits plans at specified percentages of the salaries.

We implement a working hour system of not working more than 8 hours a day and not more than 40 hours a week, which complies with the requirements of national and local government. We do not suggest overtime work and encourage employees to do exercise after work.

During the Reporting Period, there was no work-related death or injury of employees at the workplace for the past three years. There were also no non-compliance cases noted in relation to laws and regulations for health and safety.

4.2.2 Employee Care

Our Group proactively carried out employee caring activities, such theme activities as birthday parties, Women's Day and Children's Day, and created a quality working environment for employees. We also focused on their work-life balance, in which we actively organised a variety of activities, such as reading and bowling activities, to develop their friendship and foster a united and friendly corporate atmosphere and thereby heightening their belongingness and well-being.

4.3 Staff Career Development

4.3.1 Training

Our Group attaches great importance to employee training. We provide employees with diverse on – the-job training to enhance their work capabilities and strengthen our competitiveness. In accordance with the requirements of the "Staff Handbook", induction trainings are provided for newly recruited employees to help them familiarise with our corporate culture and group background. Based on the Group's development and work duties, team management training, including but not limited to improving team emotional intelligence and effectively coaching employees on work problems, were provided to middle and senior management to strengthen team cohesion. To ensure our Group acts in compliance with finance and tax laws and regulations, various finance trainings were organised to keep finance staffs abreast of the latest developments in laws and regulations, including but not limited to management-based analysis of corporate financial statements and training delivered by Golden Finance. Trainings such as those organised by The Hong Kong Chartered Governance Institute were conducted to ensure listing compliance. We also carried out a monthly themed employee training programme to encourage our employees to share their personal skills and knowledge as trainers and enhance the Group's learning atmosphere.

Statistics on Staff Trainings	Unit	2021
Total training time	Hour(s)	**322.00**
Training time per capita	Hour(s)/Participant(s)	**7.49**
Average training time per senior staff	Hour(s)/Participant(s)	**5.00**
Average training time per middle level staff	Hour(s)/Participant(s)	**29.00**
Average training time per bottom level staff	Hour(s)/Participant(s)	**6.06**
Average training time per male staff	Hour(s)/Participant(s)	**2.20**
Average training time per female staff	Hour(s)/Participant(s)	**24.08**

4.3.2 Promotion and Development

Our Group offers employees with career ladders not merely a job. In addition to diverse trainings, our Group encourages employees to enhance their own performance through a well-established performance appraisal system and management measures on promotion. Official evaluation on employees' performance will be conducted on an annual basis. Furthermore, employees will discuss the performance evaluation report for the year with the persons-in-charge of the departments they belong to.

4.4 Honours and Awards

Mr. Huang Dake, general manager of the Group, was honoured as a leading figure in finance by Xiamen Municipal Association of Local Financial Institutions in June 2021.

4.5 Management on Suppliers

The Group has a total of 105 suppliers, of which 82 are from Fujian and 23 are outside the province. They mainly include suppliers who provide us with finance leasing equipment, suppliers of software and hardware such as office supplies, and suppliers of paper products to Baiying Paper, as well as suppliers of brewing raw materials to Qiaoxin.

Our Group believes that establishing sustainable supply chains and facilitating interaction and communication with suppliers can boost confidence in our Group and products among customers and other stakeholders. Therefore, our Group only sustains long-term cooperation relationships with suppliers which possess high credibility, stable reputation, high-quality products and services as well as sound records and act in compliance with laws. The quality and reliability of the raw materials provided by the supply chain can seriously affect the production of Qiaoxin, and can even have a significant impact on our business performance. In addition, by communicating with stakeholders and inviting them to participate in the materiality assessment process, we identified "Management on Suppliers" as one of the material issues.

The Group regards business ethics as the primary condition for long-term business operations, and continuously attaches great importance to the establishment of a corporate culture and a work style that venerate honesty and trustworthiness. It has established a system to require employees to treat suppliers fairly and not ask for or accept gifts or illegal rewards from suppliers. A multi-level and multi-channel reporting mechanism was set up to combat commercial bribery and other violations of laws and disciplines. It strives to create a fair, transparent, honest and healthy business environment.

We have formulated management systems for evaluation, selection and supervision of suppliers. In regard to the supplier evaluation, suppliers which provide better quality will be opted for within reachable scope in a bid to cut down unnecessary loss and reduce resource waste. Meanwhile, our Group also considers environmental factors, and selects suppliers which produce products with low pollution and low energy consumption. Following the selection of suppliers, our Group will oversee the performance of suppliers on an ongoing basis. If there are issues concerning the quality, environment and social responsibility, our Group will immediately terminate its cooperation with them. The Group is not aware of any significant actual or potential negative influences caused by any supplier's lack of business ethics or improper environmental and labour protection measures.

4.6 Improving Service Quality

As at the end of the Reporting Period, the Group had two service lines in normal operation: finance leasing and trade of paper products. We offer customised finance leasing services according to the equipment required according to customers' business operations, and provide customers with value-added consulting services. In addition, we actively respond to customer needs to formulate a complete procurement and sales management process, control the intermediate circulation, and offer paper products trade services. Our Group has extensive experience and stable management team, which enables us to deliver reliable and efficient services to customers.

In 2021, we provided services for 221 different customers. Our Group places great emphasis on opinions and complaints from each customer. Complaints and related matters from customers will be handled by Operation Management Department in a timely manner and will be reported to the general manager and deputy general manager. We will continue to optimize our complaint-handled mechanism, enhance service management standards and increase customers' satisfaction.

During the Reporting Period, we have not received any complaints from customers.

4.7 Product Health and Safety

The Group followed strict quality requirements in every part of the entire production process from procurement of raw materials to completion of finished products, and strictly complied with relevant laws and regulations, including the Food Safety Law of the PRC. It controlled the quality and safety of products from the aspects of brewing techniques, equipment and environmental control, management architecture, etc. Quality control measures were implemented in multiple dimensions to ensure the food safety of products. The Group's vinegar products will undergo quality inspection in accordance with the GB 18187-2000 National Standard for Brewing Vinegar and the GB 2719-2018 National Food Safety Standard – Vinegar. Hongqujiu (Huangjiu) will be tested according to the GB 13662-2018 National Standard for Huangjiu.

Well-functioning equipment and a clean production environment are necessary factors to ensure food safety. Currently, Qiaoxin is in trial production. We will carry out regular maintenance and overhaul tests on production equipment to ensure the accuracy and safety of equipment operation, and perform regular supervision and inspection on the hygiene of production environment, tools and equipment, employees' personal hygiene and other aspects to guarantee food safety.

Meanwhile, we will assign the responsibility of cleaning the working environment to individuals, and will punish those in negligent during production in accordance with relevant internal and external regulations. From the top down, we will take the initiative to identify the potential risks during raw material storage, production, shelf life of finished products, product labelling and product tracking to prevent these risks.

4.8 Protecting Consumer Rights and Interests

We strictly comply with the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法), the Company Law of the PRC (中華人民共和國公司法) and the Contract Law of the PRC (中華人民共和國合同法). To protect legitimate rights and interests of customers and safeguard the safety of customer information, we have formulated Records Management System (檔案管理制度) and Confidentiality System (保密制度), which set out procedures for handling customers and group materials by employees, and required them to strictly comply with the relevant procedures. For instance, for confidential documents, information and other items, we have set up a specialized record room for storage, prohibited copying and extraction without approval of general manager.

During the Reporting Period, the Group did not violate any laws and regulations regarding data protection and privacy rights.

4.9 Contributing to the Community

Since the incorporation of our Group, we are committed to making continuous contribution for building stable and sustainable society. During the Reporting Period, the Group took an active part in charity activities and encouraged employees to participate in donation activities, including "Co-building sports fields in rural areas", "I give a blind child a book" and "Teaching children how to save themselves", and green acts like "Ant Forest", to give back to the society with love and make the Earth greener.

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A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**3.2 Emission**
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	**3.2 Emission**
A1.5	Description of emission target(s) set and steps taken to achieve them.	**3.2 Emission**
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ESG INDICATOR INDEX		
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ESG INDICATOR INDEX		
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B5 Supply Chain Management		
B5.1	Number of suppliers by geographical region.	**4.5 Management on Suppliers**
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	**4.5 Management on Suppliers**
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	**4.5 Management on Suppliers**
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	**4.5 Management on Suppliers**

ESG INDICATOR INDEX		
	General Disclosures and KPIs	**Chapters**
B6 Product Responsibility		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	**As our Group's products have not been recalled for safety and health reasons, B6.1 is not applicable to our Group.**
B6.2	Number of products and service related complaints received and how they are dealt with.	**4.6 Improving Service Quality**
B6.3	Description of practices relating to observing and protecting intellectual property rights.	**B6.3 is not applicable to our Group.**
B6.4	Description of quality assurance process and recall procedures.	**4.7 Product Health and Safety**
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	**4.8 Protecting Consumer Rights and Interests**
B7 Anti-Corruption		
B7.1	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.	**2.3 Anti-financial Crime**
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	**2.3 Anti-financial Crime**
B7.3	Description of anti-corruption training provided to directors and staff.	**2.3 Anti-financial Crime**
B8 Community Investment		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	**4.9 Contributing to the Community**
B8.2	Resources contributed (e.g. money or time) to the focus area.	**4.9 Contributing to the Community**

to the shareholders of Baiying Holdings Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Baiying Holdings Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 84 to 157, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 ("HKFRSs") 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.

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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

KEY AUDIT MATTERS (Continued)

Allowances for impairment losses of finance lease receivables and loans and receivables

Refer to notes 15 and 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the balance of finance lease receivables and loans and receivables of the Group amounted to approximately RMB199.9 million, representing approximately 55.9% of the Group's total assets. Allowances for impairment losses of finance lease receivables and loans and receivables amounting to approximately RMB39.9 million, were provided by management. The Group uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with HKFRS 9, Financial instruments ("HKFRS 9"). The Group classifies finance lease receivables and loans and receivables into three stages and recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the receivable, depending on whether credit risk on that receivable has increased significantly since initial recognition.	Our audit procedures to assess allowances for impairment losses of finance lease receivables and loans and receivables included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of finance lease receivables and loans and receivables, the identification of the three stages of ECL model, and the measurement of impairment loss allowances. • with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining allowances for impairment losses, and the appropriateness of the key parameters and assumptions in the expected credit loss model, which includes the identification of credit-impaired stage, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments.

KEY AUDIT MATTERS (Continued)

Allowances for impairment losses of finance lease receivables and loans and receivables (continued)

Refer to notes 15 and 16 to the consolidated financial statements and the accounting policies on page 92.

The Key Audit Matter	How the matter was addressed in our audit
The determination of allowances for impairment losses using the ECL model is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions. We identified the impairment of finance lease receivables and loans and receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model: ➢ for key parameters derived from internal data relating to the finance leasing and loans agreements, by selecting samples and comparing individual finance lease receivables and loans and receivables information with the underlying agreements and other related documentation to assess the accuracy of compilation of the finance lease receivables and loans and receivables list. ➢ for key parameters involving judgement, by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral and leased asset. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development.

KEY AUDIT MATTERS (Continued)

Allowances for impairment losses of finance lease receivables and loans and receivables (continued) *Refer to notes 15 and 16 to the consolidated financial statements and the accounting policies on page 92.* **The Key Audit Matter**	**How the matter was addressed in our audit**
	• for selected samples of finance lease receivables and loans and receivables that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms. • recalculating the amount of credit losses for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of finance lease receivables and loans and receivables where the credit risk of the finance lease receivables and loans and receivables has not, or has, increased significantly since initial recognition, respectively. • evaluating whether the disclosures on impairment of finance lease receivables and loans and receivables meet the disclosure requirements of HKFRS 7 Financial instruments: Disclosures.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

RESPONSIBILITIES OF THE DIRECTORS 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 HKFRSs 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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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, 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 scepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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.

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Choi Ching Hin.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB	2020 RMB
Interest income		**20,765,563**	31,301,597
Advisory fee income		**235,849**	776,278
Sales of packaging and paper products		**17,623,766**	–
Revenue	*3*	**38,625,178**	32,077,875
Other net income	*4*	**4,593,323**	2,311,304
Cost of packaging and paper products		**(17,138,752)**	–
Net (loss)/gain from financial assets at fair value through profit or loss		**(2,331,830)**	2,763,013
Interest expense	*5*	**(4,296,837)**	(6,701,712)
Operating expense		**(14,345,046)**	(14,007,382)
Impairment losses charged	*6*	**(14,107,600)**	(6,492,775)
Sales expenses		**(297,684)**	–
(Loss)/profit before taxation	*7*	**(9,299,248)**	9,950,323
Income tax credit/(expense)	*8*	**2,206,136**	(3,622,181)
(Loss)/profit for the year		**(7,093,112)**	6,328,142
Attributable to:			
Equity shareholders of the Company		**(7,074,971)**	6,328,142
Non-controlling interests		**(18,141)**	–
(Loss)/profit for the year		**(7,093,112)**	6,328,142
(Loss)/earnings per share	*11*		
Basic and diluted (RMB cents)		**(2.62)**	2.34

The notes on pages 90 to 157 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB	2020 RMB
(Loss)/profit for the year		**(7,093,112)**	6,328,142
Other comprehensive income for the year(after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China	*25(e)(iii)*	**38,883**	322,399
Total comprehensive income for the year		**(7,054,229)**	6,650,541
Attributable to:			
Equity shareholders of the Company		**(7,036,088)**	6,650,541
Non-controlling interests		**(18,141)**	–
Total comprehensive income for the year		**(7,054,229)**	6,650,541

The notes on pages 90 to 157 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in Renminbi)

	Note	31 December 2021 RMB	31 December 2020 RMB
Non-current assets			
Property, plant and equipment	12	**70,189,930**	22,336,193
Intangible assets	13	**437,916**	528,296
Loans and receivables	15	**50,432,060**	62,673,159
Finance lease receivables	16	**3,196,782**	5,576,558
Trade and other receivables	17	**223,529**	67,925
Financial assets at fair value through profit or loss	18	**181,000**	–
Deferred tax assets	24(b)	**13,743,620**	8,402,808
		138,404,837	99,584,939
Current assets			
Loans and receivables	15	**94,316,324**	111,643,673
Finance lease receivables	16	**51,910,224**	99,326,730
Trade and other receivables	17	**12,319,372**	6,109,829
Financial assets at fair value through profit or loss	18	**40,448,936**	51,574,955
Inventories	19	**850,442**	–
Pledged and restricted deposits		**–**	1,743,148
Cash and cash equivalents	20	**19,146,212**	26,245,251
		218,991,510	296,643,586
Current liabilities			
Borrowings	21	**17,733,482**	44,806,661
Trade and other liabilities	22	**26,163,782**	32,887,081
Lease liabilities	23	**785,645**	355,981
Income tax payable	24(a)	**3,579,486**	4,273,021
Deferred income		**2,154,271**	–
		50,416,666	82,322,744
Net current assets		**168,574,844**	214,320,842
Total assets less current liabilities		**306,979,681**	313,905,781

The notes on pages 90 to 157 form part of these financial statements.

At 31 December 2021
(Expressed in Renminbi)

	Note	31 December 2021 RMB	31 December 2020 RMB
Non-current liabilities			
Borrowings	*21*	**9,400,000**	–
Trade and other liabilities	*22*	**14,765,227**	22,346,381
Lease liabilities	*23*	**1,185,505**	–
Deferred tax liabilities	*24(b)*	**–**	650,000
		25,350,732	22,996,381
NET ASSETS		**281,628,949**	290,909,400
CAPITAL AND RESERVES			
Share capital	*25(c)*	**2,301,857**	2,301,857
Share premium	*25(d)*	**238,097,760**	238,097,760
Reserves	*25(e)*	**38,997,473**	50,509,783
Total equity attributable to equity shareholders of the Company		**279,397,090**	290,909,400
Non-controlling interests		**2,231,859**	–
TOTAL EQUITY		**281,628,949**	290,909,400

Approved and authorised for issue by the board of directors on 24 March 2022.

Huang Dake
Director

Chen Xinwei
Director

The notes on pages 90 to 157 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital (note 25(c)) RMB	Share premium (note 25(d)) RMB	Capital reserve (note 25(e)(i)) RMB	Surplus reserve (note 25(e)(ii)) RMB	Exchange reserve (note 25(e)(iii)) RMB	Retained profits RMB	Total equity RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2020	2,301,857	238,097,760	(6,640,176)	8,530,358	1,445,388	40,523,672	284,258,859	–	284,258,859
Changes in equity for 2020:									
Profit for the year	–	–	–	–	–	6,328,142	6,328,142	–	6,328,142
Other comprehensive income	–	–	–	–	322,399	–	322,399	–	322,399
Total comprehensive income	–	–	–	–	322,399	6,328,142	6,650,541	–	6,650,541
Appropriation to statutory reserve	–	–	–	834,145	–	(834,145)	–	–	–
Balance at 31 December 2020 and 1 January 2021	**2,301,857**	**238,097,760**	**(6,640,176)**	**9,364,503**	**1,767,787**	**46,017,669**	**290,909,400**	**-**	**290,909,400**
Changes in equity for 2021:									
Capital injection from non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,250,000**	**2,250,000**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(7,074,971)**	**(7,074,971)**	**(18,141)**	**(7,093,112)**
Other comprehensive income	**-**	**-**	**-**	**-**	**38,883**	**-**	**38,883**	**-**	**38,883**
Total comprehensive income	**-**	**-**	**-**	**-**	**38,883**	**(7,074,971)**	**(7,036,088)**	**(18,141)**	**(7,054,229)**
Dividends approved in respect of the previous year	**-**	**-**	**-**	**-**	**-**	**(4,476,222)**	**(4,476,222)**	**-**	**(4,476,222)**
Balance at 31 December 2021	**2,301,857**	**238,097,760**	**(6,640,176)**	**9,364,503**	**1,806,670**	**34,466,476**	**279,397,090**	**2,231,859**	**281,628,949**

The notes on pages 90 to 157 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB	2020 RMB
Operating activities			
Cash generated from operations	*20(b)*	**55,509,722**	49,658,265
Taxes paid	*24(a)*	**(4,478,211)**	(7,114,013)
Net cash generated from operating activities		**51,031,511**	42,544,252
Investing activities			
Interest received from deposits with financial institutions	*4*	**181,199**	350,118
Proceeds from disposal and redemption of investments		**315,591,215**	501,835,845
Proceeds from disposal of equipment		**62,713**	200
Payments on acquisition of investments		**(306,978,026)**	(526,634,628)
Payment of purchase of property, plant and equipment		**(46,552,451)**	(21,643,539)
Proceeds from asset-related government grant	*12*	**2,229,753**	–
Advances to related parties		**(8,300,000)**	(39,100,000)
Repayment from related parties		**8,666,839**	40,080,485
Net cash used in investing activities		**(35,098,758)**	(45,111,519)
Financing activities			
Cash receipts from capital contributions from non-controlling shareholders of subsidiaries		**2,250,000**	–
Proceeds from borrowings	*20(c)*	**42,094,000**	101,970,000
Repayment of borrowings	*20(c)*	**(59,750,000)**	(139,954,380)
Advances from a related party		**–**	1,725,362
Repayment to a related party		**–**	(2,019,936)
Capital element of lease rentals paid	*20(c)*	**(795,710)**	(882,622)
Interest element of lease rentals paid	*20(c)*	**(74,290)**	(47,378)
Other interest paid		**(2,318,453)**	(3,599,648)
Dividends paid to equity shareholders of the Company		**(4,476,222)**	–
Net cash used in financing activities		**(23,070,675)**	(42,808,602)
Net decrease in cash and cash equivalents		**(7,137,922)**	(45,375,869)
Cash and cash equivalents at 1 January		**26,245,251**	71,298,721
Effect of foreign exchange rate changes		**38,883**	322,399
Cash and cash equivalents at 31 December	*20(a)*	**19,146,212**	26,245,251

The notes on pages 90 to 157 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through profit or loss (FVTPL) are stated at fair value as explained in note 1(e).

The preparation of financial statements in conformity with HKFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4, HKAS 16 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

None of the amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Other than the amendment to HKAS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealized profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(n) or (o) depending on the nature of the liability.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(e) Financial Instruments

(i) Recognition and initial measurement

The Group initially recognises financial asset or financial liability on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("**SPPI**").

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(ii) Classification (Continued)

Financial assets (Continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of a financial instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iii) Derecognition

a. *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of financial instruments designated as at FVOCI is not recognised in profit or loss on derecognition of such financial instruments. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

b. *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(iv) Modifications of financial assets and financial liabilities

a. *Financial assets*

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised(see(iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower(see(vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(iv) Modifications of financial assets and financial liabilities (Continued)

b. Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(vi) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(vii) Credit losses from financial instruments and finance lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, and loans and receivables); and

– finance lease receivables.

Other financial assets measured at fair value are not subject to the ECL assessment.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(vii) Credit losses from financial instruments and finance lease receivables (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loans and receivables: discount rate used in the measurement of loans and receivables;

– finance lease receivables: discount rate used in the measurement of the finance lease receivables;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(vii) Credit losses from financial instruments and finance lease receivables (Continued)

Measurement of ECLs (Continued)

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises an allowance for impairment losses equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowance for impairment losses is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (Continued)

(vii) Credit losses from financial instruments and finance lease receivables (Continued)

Significant increases in credit risk (Continued)

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.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the allowance for impairment losses is recognised in other comprehensive income.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(s)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment losses) of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or finance 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.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

The following items of property, plant and equipment held for own use are stated at cost less accumulated depreciation and impairment losses (see note 1(i)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 1(i)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Plant	20 years
–	Right-of-use assets are depreciated over the unexpired term of lease	
–	Motor vehicles	4 years
–	Office equipment	3–5 years
–	Machinery	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimate useful life
Software	10 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption, then the Group classifies the sub-lease as an operating lease.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– ***Recognition of impairment losses***

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are stated at amortised cost using the effective interest method and including an allowance for credit losses (see note 1(e)(vii)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the People's Republic of China (the "**PRC**"), the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to the consolidated statement of profit or loss on an accrual basis.

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities (Continued)

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, whose existence 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, 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.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. 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. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(e)(vii)).

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and other income (Continued)

(ii) Advisory fee income

The Group collects advisory fee by providing consulting services to customers.

a. If one of the following conditions is met, the Group will recognize the revenue according to the performance progress in the period:

   – the customer obtains the economic benefits through the Group's performance;

   – the customer is able to control the services performed by the Group in the performance process;

   – the services performed by the Group in the performance process have irreplaceable uses, and the Group has the right to collect the payment for the part of performance that has been completed.

b. In other cases, the Group recognizes the revenue when the customer obtains the relevant service control right.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

The Group provides packaging and paper products trading services. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. The Group is acting as the principal If it obtains control over the goods and services before they are transferred to customers. Generally, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group acts as the principal and revenue is recorded on a gross basis.

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The result of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

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

a. has control or joint control over the Group;

b. has significant influence over the Group; or

c. is a member of the key management personnel of the Group or the Group's parent.

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions applies:

a. 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).

b. 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).

c. Both entities are joint ventures of the same third party.

d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

h. 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.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For the year ended 31 December 2021, the directors have determined that the Group has three business components/reportable segments as the Group starts to engage in manufacture and sale of vinegar and wine products from 2021, in packaging and paper products trading from 2021, and its principally in providing financial services to customers, which is the basis to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

– Note 1(e)(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is included in the following notes.

– Note 1(e)(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

– Note 1(q): recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE SEGMENT REPORTING

(a) Disaggregation of revenue

The principal activities of the Group are providing equipment based financing solutions, factoring services, value-added advisory services to customers and sales of packaging and paper products in the PRC. The amount of each significant category of revenue recognised during the year ended 31 December 2021 and 2020 is as follows:

	Note	**2021 RMB**	2020 RMB
Interest income arising from			
Finance lease receivables	*(i)*	**3,119,259**	8,082,350
Receivables from sale – leaseback transaction under loans and receivables		**15,348,836**	20,848,568
Factoring receivables		**2,297,468**	2,370,679
		20,765,563	31,301,597
Advisory fee income	*(ii)*	**235,849**	776,278
Sales of packaging and paper products	*(iii)*	**17,623,766**	–
		38,625,178	32,077,875

(i) The Group has one customer for the year ended 2021 and 2020 respectively, with whom transactions have exceeded 10% of the Group's aggregate revenues. Such revenue from the customers is set out below:

	2021 RMB	2020 RMB
Customer A	*	3,562,597
Customer B	**5,260,118**	*

Note: *Revenue from the customer was less than 10% in the respective year.

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

(iii) Revenue from sales of packaging and paper products is recognised when control of goods has transferred, being when the goods have been delivered as agreed in the sales contracts.

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Financial services segment: providing financial leasing service, factoring service and advisory service in the People's Republic of China (the "**PRC**"). Income of financial leasing service takes the major portion of financial services for the year ended 31 December 2021.

- Packaging and paper products trading segment: starting from the year 2021, the Group set up Fujian Baiying Paper Co.,Ltd.("**Baiying Paper**") to diversify the business of the Group. The main business of Baiying Paper is sales of packaging and paper products in the PRC.

- Manufacture and sale of vinegar and wine products segment: starting from the year 2021, the Group set up Fujian Yongchun Qiaoxin Brewing Co., Ltd. ("**Qiaoxin**") to diversify the business of the Group. The main business of Qiaoxin is manufacturing and selling of vinegar and wine products in the PRC. As of 31 December 2021, Qiaoxin is in trial production without sales.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, and current assets with the exception of deferred tax assets. Segment liabilities include borrowings, trade and other liabilities, lease liabilities, income tax payable with the exception of deferred tax liabilities.

Revenue and expenses are separate recognised to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "(loss)/profit for the year". To arrive at (loss)/profit for the year the Group's earnings are further adjusted for items, such as impairment losses and operating expense.

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	Financial services 2021 RMB	Packaging and paper products trading 2021 RMB	Manufacture and sale of vinegar and wine products 2021 RMB	Total 2021 RMB
Over time:				
Interest income	20,765,563	–	–	20,765,563
Point in time:				
Advisory fee income	235,849	–	–	235,849
Sales of packaging and paper products	–	17,623,766	–	17,623,766
Reportable segment revenue	21,001,412	17,623,766	–	38,625,178
Other net income	4,377,121	7,423	208,779	4,593,323
Cost of packaging and paper products	–	(17,138,752)	–	(17,138,752)
Net (loss)/gain from financial assets at fair value through profit or loss	(2,378,602)	8,063	38,709	(2,331,830)
Interest expense	(4,296,837)	–	–	(4,296,837)
Operating expense	(10,508,332)	(175,846)	(3,660,868)	(14,345,046)
Impairment losses charged	(13,855,837)	(251,763)	–	(14,107,600)
Sales expenses	–	(100,905)	(196,779)	(297,684)
Reportable segment losses before taxation	(5,661,075)	(28,014)	(3,610,159)	(9,299,248)
Income tax credit	1,298,700	12,994	894,442	2,206,136
Reportable segment losses for the year	(4,362,375)	(15,020)	(2,715,717)	(7,093,112)
Reportable segment assets	281,135,223	6,192,963	76,850,794	364,178,980
Reportable segment liabilities	(64,153,564)	(1,296,216)	(30,843,871)	(96,293,651)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment assets and liabilities

	2021 RMB
Assets	
Reportable segment assets	**364,178,980**
Deferred tax assets	**13,743,620**
Elimination of inter-segment receivables	**(20,526,253)**
Consolidated total assets	**357,396,347**
Liabilities	
Reportable segment liabilities	**96,293,651**
Deferred tax liabilities	**–**
Elimination of inter-segment payables	**(20,526,253)**
Consolidated total liabilities	**75,767,398**

(iii) For the year ended 31 December 2020, the directors determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing financial leasing service which is the basis to allocate resources and assess performance of the Group.

4 OTHER NET INCOME

	Note	2021 RMB	2020 RMB
Interest income from deposits with financial institutions		**181,199**	350,118
Government grants	*(i)*	**240,293**	942,085
Interest income from loan to related parties	*28(c)*	**366,839**	980,485
Foreign exchange gains		**72**	290
Net gain arising from derecognition of financial assets measured at amortised cost		**3,111,311**	–
Others		**693,609**	38,326
		4,593,323	2,311,304

(i) During the year ended 31 December 2021, the government grants provided to the Group for its finance lease service offered to small and medium enterprises amounted to RMB240,293.

(Expressed in Renminbi unless otherwise indicated)

5 INTEREST EXPENSE

	2021 RMB	2020 RMB
Borrowings	**2,301,274**	3,656,309
Imputed interest expense on interest-free guaranteed deposits from lessees	**1,921,273**	2,998,025
Interest on lease liabilities	**74,290**	47,378
	4,296,837	6,701,712

6 IMPAIRMENT LOSSES CHARGED/(REVERSED)

	Note	2021 RMB	2020 RMB
Loans and receivables	*15*	**90,604**	6,679,602
Finance lease receivables		**14,037,801**	(385,583)
Trade and other receivables	*17*	**(20,805)**	198,756
		14,107,600	6,492,775

7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2021 RMB	2020 RMB
(a) Staff cost		
Contributions to defined contribution retirement plan	**215,593**	27,905
Salaries, wages and other benefits	**6,517,251**	5,145,253
Sub-total	**6,732,844**	5,173,158
(b) Other items		
Amortisation cost of intangible assets	**90,380**	90,380
Depreciation charge		
– owned property, plant and equipment	**197,240**	179,945
– right-of-use assets	**807,212**	869,084
Auditor's remuneration		
– audit services	**660,377**	660,377
– other services	**339,623**	400,000
Consulting expenses	**621,910**	1,886,792
Legal expenses	**1,084,437**	944,516

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	**2021 RMB**	2020 RMB
Current			
– PRC Enterprise Income Tax ("**EIT**") provision for the year		**3,899,337**	3,794,540
– (Over)/under-provision in prior years		**(114,661)**	109,328
	24(a)	**3,784,676**	3,903,868
Deferred tax			
– Origination of temporary differences	*24(b)*	**(5,990,812)**	(281,687)
		(2,206,136)	3,622,181

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

	Note	**2021 RMB**	2020 RMB
(Loss)/profit before taxation		**(9,299,248)**	9,950,323
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		**(2,085,720)**	3,480,103
Tax effect of non-deductible expenses	*(i)*	**39,075**	32,750
Income not taxable for tax purpose		**(44,830)**	–
(Over)/under provision in prior years		**(114,661)**	109,328
Income tax (credit)/expense for the year		**(2,206,136)**	3,622,181

(i) Non-deductible expenses consist of entertainment and welfare expenses, which exceed the tax deduction limits in accordance with PRC tax regulations.

(ii) Pursuant to the rules and regulation of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI, respectively.

(iii) No provision for Hong Kong Profits Tax has been made for the Company and Byleasing Capital Limited (the "**Byleasing Capital**") as the Company and Byleasing Capital had not derived any income subject to Hong Kong Profits Tax during the year (2020:nil).

(iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10%, (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax.

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9 DIRECTORS' EMOLUMENTS

Directors' remuneration is as follows:

	Year ended 31 December 2021				
	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Retirement scheme contributions RMB	Total RMB
Executive Directors					
Zhou Shiyuan (周士淵)	–	–	–	–	–
Chen Xinwei (陳欣慰)	–	–	–	–	–
Huang Dake (黃大柯)	–	726,552	117,876	12,086	856,514
Non-executive Director					
Ke Jinding (柯金鏘)	–	–	–	–	–
Independent non-executive Directors					
Tu Liandong (涂連東)	–	60,000	–	–	60,000
Xie Mianbi (謝綿陛)	–	60,000	–	–	60,000
Chen Chaolin (陳朝琳)	–	60,000	–	–	60,000
Total	–	906,552	117,876	12,086	1,036,514

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2020				
	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Retirement scheme contributions RMB	Total RMB
Executive Directors					
Zhou Shiyuan (周士淵)	–	–	–	–	–
Chen Xinwei (陳欣慰)	–	–	–	–	–
Huang Dake (黄大柯)	–	580,095	96,500	786	677,381
Non-executive Director					
Ke Jinding (柯金鏰)	–	–	–	–	–
Independent non-executive Directors					
Tu Liandong (涂連東)	–	60,000	–	–	60,000
Xie Mianbi (謝綿陛)	–	60,000	–	–	60,000
Chen Chaolin (陳朝琳)	–	60,000	–	–	60,000
Total	–	760,095	96,500	786	857,381

During the year ended 31 December 2021, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as a compensation for loss of office.

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10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there is one (2020:one) director of the Group whose emoluments are disclosed in note 9.

The aggregate of the emoluments in respect of the other individuals for the years ended 31 December 2020 and 2021 are as follows:

	2021 **RMB**	2020 RMB
Salaries, allowances and benefits in kind	**1,035,296**	1,036,637
Discretionary bonuses	**83,313**	84,075
Retirement scheme contributions	**32,158**	4,908
Total	**1,150,767**	1,125,620

The emoluments of the four (2020: four) individuals with the highest emoluments are all within the following band:

	2021	2020
Nil-HKD1,000,000	**4**	4

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB7,074,971 (profit for 2020: RMB6,328,142) and the weighted average of 270,000,000 ordinary shares (2020: 270,000,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
Issued ordinary shares at 1 January	**270,000,000**	270,000,000
Share issued under share option scheme	**–**	–
Weighted average number of ordinary shares at 31 December	**270,000,000**	270,000,000

(b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 2021 (2020: nil), and hence the diluted earnings per share are the same as basic earnings per share.

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

		Motor vehicles RMB	Office equipment RMB	Machinery RMB	Right-of-use assets RMB	Plant RMB	Construction in progress RMB	Total RMB
Cost								
As at 1 January 2020		904,859	1,031,656	–	2,087,969	–	–	4,024,484
Additions		–	66,760	–	–	–	21,576,779	21,643,539
Disposal		–	(3,573)	–	–	–	–	(3,573)
As at 31 December 2020/1 January 2021		904,859	1,094,843	–	2,087,969	–	21,576,779	25,664,450
Additions		256,531	794,262	–	2,410,879	–	45,426,176	48,887,848
Transfer from Construction in progress	*(i)*	–	1,454,264	534,531	–	45,724,481	(47,716,276)	–
Disposal		(262,600)	(56,201)	–	–	–	–	(318,801)
As at 31 December 2021		898,790	3,287,168	534,531	4,498,848	45,727,481	19,286,679	74,233,497
Accumulated depreciation								
As at 1 January 2020		(564,925)	(837,221)	–	(880,455)	–	–	(2,282,601)
Charge for the year		(124,046)	(55,899)	–	(869,084)	–	–	(1,049,029)
Disposals		–	3,373	–	–	–	–	3,373
As at 31 December 2020/1 January 2021		(688,971)	(889,747)	–	(1,749,539)	–	–	(3,328,257)
Charge for the year		(129,110)	(80,156)	(2,662)	(807,212)	–	–	(1,019,140)
Disposals		249,470	54,360	–	–	–	–	303,830
As at 31 December 2021		(568,611)	(915,543)	(2,662)	(2,556,751)	–	–	(4,043,567)
Net carrying amount								
As at 31 December 2020		215,888	205,096	–	338,430	–	21,576,779	22,336,193
As at 31 December 2021		330,179	2,371,625	531,869	1,942,097	45,727,481	19,286,679	70,189,930

(i) During the year ended 31 December 2021, the government grants provided to the Group for its new acquisition of manufacturing equipment and machinery amounted to RMB2,229,753, RMB75,482 of which was deducted from the carrying amount of related equipment and machinery.

(Expressed in Renminbi unless otherwise indicated)

13 INTANGIBLE ASSETS

	2021 RMB	2020 RMB
Cost		
At the beginning of the year	**923,258**	923,258
Additions	**–**	–
At the end of the year	**923,258**	923,258
Accumulated amortisation		
At the beginning of the year	**394,962**	304,582
Charge for the year	**90,380**	90,380
At the end of the year	**485,342**	394,962
Carrying amount		
At the beginning of the year	**528,296**	618,676
At the end of the year	**437,916**	528,296

Intangible assets mainly represent the enterprise system software.

14 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiary	Principal activities
Byleasing Capital	BVI 15 June 2017	BVI Ltd	US$1	US$1	100%	–	Investment holding
Hong Kong Byleasing Holding Co., Limited ("**Hong Kong Byleasing**")	Hong Kong 8 January 2015	Hong Kong Ltd.	RMB100,000,000	RMB100,000,000	–	100%	Investment holding
Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司) ("**Xiamen Baiying**")	People's Republic of China 9 March 2010	The PRC Ltd.	RMB237,000,000	RMB237,000,000	–	100%	Finance leasing

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14 INTERESTS IN SUBSIDIARIES (Continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. (Continued)

Name of company	Place and date of incorporation/ establishment	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Proportion of ownership interest Held by the Company	Held by the subsidiary	Principal activities
Shanghai Baiying Commercial Factoring Co., Ltd.* (上海百應商業保理有限責任公司) ("**Shanghai Baiying**")	People's Republic of China 11 January 2019	The PRC Ltd.	RMB50,000,000	RMB50,000,000	–	100%	Commercial Factoring
Fujian Yongchun Qiaoxin Brewing Co., Ltd. * (福建永春僑新釀造有限責任公司) ("**Qiaoxin**")	People's Republic of China 23 April 2020	The PRC Ltd.	RMB50,000,000	RMB50,000,000	–	100%	Manufacture and sale of condiment products
Fujian Baiying Paper Co., Ltd.* (福建百應紙業有限公司) ("**Baiying Paper**")	People's Republic of China 13 January 2021	The PRC Ltd.	RMB30,000,000	RMB5,000,000	–	55%	Packaging and paper products trading

* The English translation of these entities' names is for reference only. The official names of these entities are in Chinese.

15 LOANS AND RECEIVABLES

	Note	**2021 RMB**	2020 RMB
Factoring receivables with recourse		**35,591,001**	7,753,084
Less: Allowances for impairment losses	*(ii)*	**(2,027,933)**	(215,867)
Sub-total		**33,563,068**	7,537,217
Receivables from sale-leaseback transaction	*(i)*	**121,096,390**	178,431,140
Less: Allowances for impairment losses	*(ii)*	**(9,911,074)**	(11,651,525)
Sub-total		**111,185,316**	166,779,615
Total		**144,748,384**	174,316,832

(Expressed in Renminbi unless otherwise indicated)

15 LOANS AND RECEIVABLES (Continued)

(i) Since 1 January 2019,new receivables from sale-leaseback transactions which do not satisfy sales under HKFRS 15 for the seller-lessees, were recognised as loans and receivables.

(ii) The allowances for impairment losses of loans and receivables were provided on expected credit loss model. As at 31 December 2021, the credit quality analysis of loans and receivables are as follows:

	2021 RMB	2020 RMB
Overdue and credit-impaired	**14,452,532**	9,288,155
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	**2,126,599**	–
– Overdue 30 to 90 days (inclusive)	**–**	41,311,545
– Overdue above 90 days	**–**	–
Neither overdue nor credit-impaired	**140,108,260**	135,584,524
Less: Allowances for impairment losses	**(11,939,007)**	(11,867,392)
At the end of the year	**144,748,384**	174,316,832

(iii) Analysis for reporting purpose as:

	2021 RMB	2020 RMB
Non-current assets	**50,432,060**	62,673,159
Current assets	**94,316,324**	111,643,673
	144,748,384	174,316,832

(Expressed in Renminbi unless otherwise indicated)

15 LOANS AND RECEIVABLES (Continued)

(iv) Loans and receivables and allowance for impairment losses 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
Factoring receivables	**33,107,951**	**–**	**2,483,050**	**35,591,001**
Less: Allowances for impairment losses	**(903,121)**	**–**	**(1,124,812)**	**(2,027,933)**
Carrying amount of factoring receivables	**32,204,830**	**–**	**1,358,238**	**33,563,068**
Receivables from sale-leaseback transaction	**109,126,908**	**–**	**11,969,482**	**121,096,390**
Less: Allowances for impairment losses	**(2,635,177)**	**–**	**(7,275,897)**	**(9,911,074)**
Carrying amount of receivables from sale-leaseback transaction	**106,491,731**	**–**	**4,693,585**	**111,185,316**
Total carrying amount of loans and receivables	**138,696,561**	**–**	**6,051,823**	**144,748,384**

	As at 31 December 2020 12-month ECL RMB	Lifetime ECL Not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Factoring receivables	7,753,084	–	–	7,753,084
Less: Allowances for impairment losses	(215,867)	–	–	(215,867)
Carrying amount of factoring receivables	7,537,217	–	–	7,537,217
Receivables from sale-leaseback transaction	127,831,440	41,311,545	9,288,155	178,431,140
Less: Allowances for impairment losses	(2,663,590)	(4,092,249)	(4,895,686)	(11,651,525)
Carrying amount of receivables from sale-leaseback transaction	125,167,850	37,219,296	4,392,469	166,779,615
Total carrying amount of loans and receivables	132,705,067	37,219,296	4,392,469	174,316,832

(Expressed in Renminbi unless otherwise indicated)

15 LOANS AND RECEIVABLES (Continued)

(v) Movements of allowance for impairment losses on loans and receivables:

	2021			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	**2,879,457**	**4,092,249**	**4,895,686**	**11,867,392**
Transfer to lifetime ECL credit-impaired	**(295,661)**	**(77,104)**	**372,765**	**–**
Net remeasurement of loss allowance	**(537,854)**	**–**	**4,436,137**	**3,898,283**
New financial assets originated or purchased	**2,336,546**	**–**	**147,765**	**2,484,311**
Financial assets that have been derecognised	**(844,190)**	**(4,015,145)**	**(1,432,655)**	**(6,291,990)**
Write-offs	**–**	**–**	**(18,989)**	**(18,989)**
Balance at 31 December	**3,538,298**	**–**	**8,400,709**	**11,939,007**

	2020			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	3,214,044	1,973,746	–	5,187,790
Transfer to lifetime ECL not credit-impaired	(143,854)	143,854	–	–
Transfer to lifetime ECL credit-impaired	–	(1,973,746)	1,973,746	–
Net remeasurement of loss allowance	(1,237,092)	(66,750)	2,921,940	1,618,098
New financial assets originated or purchased	1,632,356	4,015,145	–	5,647,501
Financial assets that have been derecognised	(585,997)	–	–	(585,997)
Balance at 31 December	2,879,457	4,092,249	4,895,686	11,867,392

(Expressed in Renminbi unless otherwise indicated)

16 FINANCE LEASE RECEIVABLES

	2021 RMB	2020 RMB
Minimum finance lease receivables		
Not later than one year	**85,917,344**	135,877,427
Later than one year and not later than five years	**4,139,213**	5,933,071
Gross amount of finance lease receivables	**90,056,557**	141,810,498
Less: Unearned finance income	**(6,982,438)**	(10,905,487)
Net amount of finance lease receivables	**83,074,119**	130,905,011
Less: Allowances for impairment losses	**(27,967,113)**	(26,001,723)
Carrying amount of finance lease receivables	**55,107,006**	104,903,288
Present value of minimum finance lease receivables		
Not later than one year	**78,947,267**	125,177,179
Later than one year and not later than five years	**4,126,852**	5,727,832
Total	**83,074,119**	130,905,011

Analysis for reporting purpose as:

	2021 RMB	2020 RMB
Current assets	**51,910,224**	99,326,730
Non-current assets	**3,196,782**	5,576,558
	55,107,006	104,903,288

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

Additional collateral may be obtained from lessees to secure their repayment obligation and such collateral include residential properties, car parks, etc. Due to restriction of the collateral registration procedure, finance lease receivables with carrying amount of RMB2, 537,422 was arranged through an entrusted loan with properties as the collateral as at 31 December 2021 (2020: RMB3,816,790).

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract.

(Expressed in Renminbi unless otherwise indicated)

16 FINANCE LEASE RECEIVABLES (Continued)

Analysis of credit quality:

The following is a credit quality analysis of finance lease receivables.

	2021 RMB	2020 RMB
Overdue and credit-impaired	**67,266,393**	101,546,730
Overdue but not credit-impaired		
– Overdue within 30 days (inclusive)	**115,306**	3,420,673
– Overdue 30 to 90 days (inclusive)	**75,873**	–
– Overdue above 90 days	**–**	–
Neither overdue nor credit-impaired	**15,616,547**	25,937,608
Less: Allowances for impairment losses	**(27,967,113)**	(26,001,723)
At the end of the year	**55,107,006**	104,903,288

Finance lease receivables overdue but not impaired related to a number of lessees failing to pay the instalments, but the Group could collect the remaining balance from the guaranteed deposits from lessees, the suppliers under the leased assets repurchase arrangements or from the disposal of leased assets.

(a) Finance lease receivables and allowances for impairment losses:

	As at 31 December 2021			
	12-month ECL RMB	Lifetime ECL Not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Net amount of finance lease receivables	**15,731,853**	**75,873**	**67,266,393**	**83,074,119**
Less: Allowances for impairment losses	**(440,992)**	**(6,300)**	**(27,519,821)**	**(27,967,113)**
Carrying amount of finance lease receivables	**15,290,861**	**69,573**	**39,746,572**	**55,107,006**

	As at 31 December 2020			
	12-month ECL RMB	Lifetime ECL Not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Net amount of finance lease receivables	29,358,280	–	101,546,731	130,905,011
Less: Allowances for impairment losses	(625,039)	–	(25,376,684)	(26,001,723)
Carrying amount of finance lease receivables	28,733,241	–	76,170,047	104,903,288

(Expressed in Renminbi unless otherwise indicated)

16 FINANCE LEASE RECEIVABLES (Continued)

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

	2021			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	625,039	–	25,376,684	26,001,723
Transfer to lifetime ECL not credit-impaired	(5,447)	5,447	–	–
Net remeasurement of loss allowance	(110,063)	853	16,926,418	16,817,208
New financial assets originated or purchased	328,629	–	–	328,629
Financial assets that have been derecognised	(397,166)	–	(2,574,770)	(2,971,936)
Write-offs	–	–	(12,218,501)	(12,218,501)
Recoveries of amounts previously written off	–	–	9,990	9,990
Balance at 31 December	440,992	6,300	27,519,821	27,967,113

	2020			
	12-month ECL RMB	Lifetime ECL not credit-impaired RMB	Lifetime ECL credit-impaired RMB	Total RMB
Balance at 1 January	3,392,266	684,944	22,233,096	26,310,306
Transfer to 12-month ECL	12,711	(12,711)	–	–
Transfer to lifetime ECL credit-impaired	–	(668,223)	668,223	–
Net remeasurement of loss allowance	(426,595)	–	2,769,749	2,343,154
New financial assets originated or purchased	339,373	–	–	339,373
Financial assets that have been derecognised	(2,692,716)	(4,010)	(371,384)	(3,068,110)
Recoveries of amounts previously written off	–	–	77,000	77,000
Balance at 31 December	625,039	–	25,376,684	26,001,723

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES

	Note	**2021 RMB**	2020 RMB
Non-current assets			
Other receivables		**33,964**	67,925
Deposits for property	*28(d)*	**189,565**	–
		223,529	67,925
Current assets			
Trade receivables		**3,927,491**	–
Other receivables		**405,978**	2,197,469
Note receivables		**1,052,101**	400,000
Less: Allowances for impairment losses	*(i)*	**(328,762)**	(349,567)
		5,056,808	2,247,902
Deductible value-added tax		**5,641,399**	2,238,856
Prepaid expenses		**1,558,268**	1,081,480
Prepayment for leased assets		**62,897**	352,026
Deposits for property		**–**	189,565
		12,319,372	6,109,829
Total		**12,542,901**	6,177,754

Notes:

(i) Movements of allowances on trade and other receivables

	2021 RMB	2020 RMB
At 1 January	**349,567**	150,811
(Credited)/charged for the year	**(20,805)**	198,756
At 31 December	**328,762**	349,567

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(ii) Ageing analysis of trade receivables

As of the end of the year, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	At 31 December 2021 RMB	At 31 December 2020 RMB
Within 1 month	**3,927,491**	–
Less: Allowances for impairment losses	**(251,763)**	–
Total	**3,675,728**	–

Trade receivable are due within 60 days from the date of billing. Trade receivables that are more than 60 days past due are requested to settle all outstanding balances before any further credit is granted.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2021 RMB	2020 RMB
Wealth management products	*(i)*	**32,201,100**	39,668,535
Listed securities		**8,247,836**	11,906,420
Unlisted equity investment	*(ii)*	**181,000**	–
		40,629,936	51,574,955

(i) The above wealth management products were issued by commercial banks in the PRC. They were classified as FVTPL as their contractual cash flows are not solely payments of principal and interest.

(ii) Xiamen Baiying invested in Lianhua (Xiamen) Aviation Food Co., an unlisted entity on 30 December 2021 with a consideration of RMB181,000, which accounted for 0.1% of the investee's registered capital.

19 INVENTORIES

	2021 RMB	2020 RMB
Raw materials	**115,050**	–
Work in progress	**735,392**	–
	850,442	–

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2021 RMB	2020 RMB
Deposits with banks	**19,146,212**	26,245,251

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

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

	Note	2021 RMB	2020 RMB
(Loss)/profit before taxation		**(9,299,248)**	9,950,323
Adjustments for:			
Net realised and unrealised profit/(loss) on financial assets at fair value through profit or loss		**3,471,872**	(1,778,879)
Investment income from wealth management products		**(1,140,042)**	(984,134)
Interest income from deposits with financial institutions	*4*	**(181,199)**	(350,118)
Interest income from loan to related parties	*4*	**(366,839)**	(980,485)
Interest expense	*5*	**2,375,564**	3,703,687
Impairment losses charged	*6*	**14,107,600**	6,492,775
Depreciation		**1,019,140**	1,049,029
Amortisation	*7(b)*	**90,380**	90,380
Gains on disposal of equipment		**(47,744)**	–
Operating profit before changes in working capital		**10,029,484**	17,192,578
Changes in working capital:			
Decrease/(increase) in pledged bank deposit		**1,743,148**	(1,743,148)
Decrease in finance lease receivables		**35,758,481**	79,780,944
Decrease/(increase) in loans and receivables		**29,477,844**	(31,304,689)
Increase in trade and other receivables		**(6,344,341)**	(4,367,754)
Decrease in trade and other liabilities		**(14,304,452)**	(9,899,666)
Increase in inventories		**(850,442)**	–
Cash generated from operations		**55,509,722**	49,658,265

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	2021		
	Bank loans and other borrowings RMB (Note 21)	Lease liabilities RMB (Note 23)	Total RMB
As at 1 January 2021	44,806,661	355,981	45,162,642
Changes from financing cash flow:			
Proceeds from borrowings	42,094,000	–	42,094,000
Repayment of borrowings	(59,750,000)	–	(59,750,000)
Interest paid	(2,318,453)	–	(2,318,453)
Capital element of lease rentals paid	–	(795,710)	(795,710)
Interest element of lease rentals paid	–	(74,290)	(74,290)
Total changes from financing cash flows	(19,974,453)	(870,000)	(20,844,453)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	2,410,879	2,410,879
Interest expense	2,301,274	74,290	2,375,564
As at 31 December 2021	27,133,482	1,971,150	29,104,632

(Expressed in Renminbi unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	2020		
	Bank loans and other borrowings RMB (Note 21)	Lease liabilities RMB (Note 23)	Total RMB
As at 1 January 2020	82,734,380	1,238,603	83,972,983
Changes from financing cash flow:			
Proceeds from borrowings	101,970,000	–	101,970,000
Repayment of borrowings	(139,954,380)	–	(139,954,380)
Interest paid	(3,599,648)	–	(3,599,648)
Capital element of lease rentals paid	–	(47,378)	(47,378)
Interest element of lease rentals paid	–	(882,622)	(882,622)
Total changes from financing cash flows	(41,584,028)	(930,000)	(42,514,028)
Other changes:			
Interest expense	3,656,309	47,378	3,703,687
As at 31 December 2020	44,806,661	355,981	45,162,642

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB	2020 RMB
Within financing cash flows	**870,000**	930,000
	870,000	930,000

These amounts relate to the following:

	2021 RMB	2020 RMB
Lease rentals paid	**870,000**	930,000
	870,000	930,000

(Expressed in Renminbi unless otherwise indicated)

21 BORROWINGS

	Note	2021 RMB	2020 RMB
Bank loans			
– guaranteed	(i)	**27,133,482**	44,806,661

Analysis for reporting purpose as:

	2021 RMB	2020 RMB
Non-current liabilities	**9,400,000**	–
Current liabilities	**17,733,482**	44,806,661
	27,133,482	44,806,661

(i) As at 31 December 2021, loans amounted to RMB13,711,116 (2020: RMB44,806,661) was guaranteed by Septwolves Group Holding Co., Ltd and loans amounted to RMB13,422,366 was guaranteed by Fujian Septwolves Group Co., Ltd.

As at 31 December 2020 and 2021, the borrowings were repayable as follows:

	2021 RMB	2020 RMB
Within one year	**17,733,482**	44,806,661
After 1 year but within 2 years	**9,400,000**	–
	27,133,482	44,806,661

The ranges of effect interest rates on the borrowings are as follows:

	2021 RMB	2020 RMB
Range of interest rates	**4.05% – 5.46%**	4.05% – 4.35%

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES

	Note	2021 RMB	2020 RMB
Non-current liabilities			
Guaranteed deposits from lessees	*(i)*	**13,240,806**	21,917,685
VAT payable		**1,524,421**	428,696
		14,765,227	22,346,381
Current liabilities			
Guaranteed deposits from lessees	*(i)*	**6,174,606**	5,698,255
VAT payable and other tax payable		**8,363,402**	10,554,949
Accounts payable	*(ii)*	**431,050**	480,944
Accrued staff costs		**2,167,129**	1,802,996
Receipts in advance		**134,119**	133,686
Accrued liabilities		**772,381**	805,175
Trade payable		**564,332**	–
Other payables		**7,556,763**	4,695,357
Notes payable		**–**	8,715,719
		26,163,782	32,887,081
Total		**40,929,009**	55,233,462

(i) Guaranteed deposits from lessees for reporting purpose:

	2021 RMB	2020 RMB
Current portion	**6,174,606**	5,698,255
Non-current portion	**13,240,806**	21,917,685
Total	**19,415,412**	27,615,940

(ii) As at 31 December 2021 and 2020, the accounts payable comprise of amounts RMB431,105 and RMB480,944, respectively, to be repaid to certain equipment suppliers under the leased assets repurchase arrangements. As such, there was no relevant invoice or demand notes as the basis to the ageing analysis. Alternatively, from the perspective of credit term, all the accounts payable were payable on demand.

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES (Continued)

(iii) As at 31 December 2021 and 2020, the ageing analysis of trade payable based on the invoice date, is as follows:

	2021 RMB	2020 RMB
Within 1 month	564,332	–
Total	564,332	–

23 LEASE LIABILITIES

As at 31 December 2021, the lease liabilities were repayable as follows:

	31 December 2021		31 December 2020	
	Present value of the minimum lease payments RMB	Total minimum lease payments RMB	Present value of the minimum lease payments RMB	Total minimum lease payments RMB
Within 1 year	785,645	870,000	355,981	362,500
After 1 year but within 2 years	827,692	870,000	–	–
After 2 years but within 5 years	357,813	362,500	–	–
	1,185,505	1,232,500	–	–
	1,971,150	2,102,500	355,981	362,500
Less: total future interest expenses		(131,350)		(6,519)
Present value of lease liabilities		1,971,150		355,981

(Expressed in Renminbi unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	Note	2021 RMB	2020 RMB
At the beginning of the year		**4,273,021**	7,483,166
Provision for income tax for the year	*8(a)*	**3,784,676**	3,903,868
Income tax paid		**(4,478,211)**	(7,114,013)
At the end of the year		**3,579,486**	4,273,021

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Allowance for impairment losses RMB	Deferred Income RMB	Accrued Expenses RMB	Depreciation charge of right-of-use assets RMB	Fair value change gains and losses RMB	Asset-related government grant RMB	Undistributed profits of PRC subsidiaries RMB	Total RMB
At 1 January 2020	8,273,980	(1,062,825)	213,231	7,772	38,963	–	–	7,471,121
Credited/(charged) to profit or loss	1,623,194	(356,135)	(11,937)	(3,385)	(415,780)	–	(554,270)	281,687
At 31 December 2020	9,897,174	(1,418,960)	201,294	4,387	(376,817)	–	(554,270)	7,752,808
At 1 January 2021	9,897,174	(1,418,960)	201,294	4,387	(376,817)	–	(554,270)	7,752,808
Credited/(charged) to profit or loss	3,526,900	115,898	(8,198)	2,876	822,718	557,438	973,180	5,990,812
At 31 December 2021	13,424,074	(1,303,062)	193,096	7,263	445,901	557,438	418,910	13,743,620

(Expressed in Renminbi unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2021 RMB	2020 RMB
Net deferred tax assets recognised in the consolidated statement of financial position	**13,743,620**	8,402,808
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	(650,000)
	13,743,620	7,752,808

(c) Deferred tax liabilities not recognised

At 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB40,331,249 (2020: RMB44,777,538). Deferred tax liabilities of RMB4,033,125 (2020: RMB4,477,754) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital RMB	Share premium RMB	Exchange reserve RMB	Accumulated losses RMB	Total equity RMB
Balance at 1 January 2020	2,301,857	238,097,760	13,445,079	(585,106)	253,259,590
Changes in equity for 2020					
Total comprehensive income for the year	–	–	(15,236,250)	(1,320,891)	(16,557,141)
Balance at 31 December 2020 and 1 January 2021	2,301,857	238,097,760	(1,791,171)	(1,905,997)	236,702,449
Changes in equity for 2021					
Total comprehensive income for the year	–	–	(6,754,580)	(932,107)	(7,686,687)
At 31 December 2021	2,301,857	238,097,760	(8,545,751)	(2,838,104)	229,015,762

(Expressed in Renminbi unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2021 RMB	2020 RMB
Final dividend proposed after the end of the year (2020: HKD2.0 cents per ordinary share)	–	4,544,856
	–	4,544,856

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the year.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2021 RMB	2020 RMB
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD2.0 cents per share in 2020	4,476,222	–
	4,476,222	–

(Expressed in Renminbi unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

(i) Issued share capital

	2021 Number of shares	**2021** RMB	2020 Number of shares	2020 RMB
Ordinary shares, issued and fully paid:				
At 1 January	**270,000,000**	**2,301,857**	270,000,000	2,301,857
Share issued under share option scheme	**–**	**–**	–	–
At 31 December	**270,000,000**	**2,301,857**	270,000,000	2,301,857

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Share premium

The share premium represents the difference between the par value of the shares of the Company and consideration for the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributed to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(Expressed in Renminbi unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Reserves

(i) Capital reserve

The capital reserve mainly represented the difference between the share capital and share premium of the Company and the paid-in capital of Xiamen Baiying.

(ii) Surplus reserve

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(t).

(f) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB235,259,656 (2020: RMB236,191,763).

(g) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between a higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the year ended 31 December 2021.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments. Credit risk is considered as one of the most significant risk to the Group's business operations. Management therefore carefully manages its exposure to credit risk. Credit risk primarily arises from finance leasing business.

Credit risk management

The Group establishes industry risk management framework and measurements which the Group will perform research by industry, implement credit evaluation, estimate the value on lease assets, monitor lessee business status and evaluate the impact from change in technology to lease assets, to strengthen the credit risk control and management.

The Group enters into transactions only with recognized and creditworthy third parties. In accordance with the policies of the Group, the Group examines and verifies the credit risk of all customers with which the Group has credit transactions. In addition, the Group monitors and controls the leases receivable regularly to mitigate the risk of significant exposures from non-performing assets. The Group reduces the loss from non-performing assets through legal remedies such as litigation or arbitration, or achieves rapid realisation through disposing of non-performing assets to independent third-party asset management companies.

Measurement of Expected Credit Loss (ECL)

In accordance with HKFRS 9, the Group classifies finance lease receivables and loans and receivables into three stages and makes provisions for expected credit losses, accordingly, depending on whether credit risk on that financial assets has increased significantly since initial recognition.

(i) *Stage of financial instruments*

The three stages are defined as follows:

– Stage 1 (12-month ECL): A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance;

– Stage 2 (Lifetime ECL not credit-impaired): A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired, indicators usually include financial asset overdue more than 30 days but less than 90 days. The amount equal to lifetime ECL is recognised as loss allowance; and

– Stage 3 (Lifetime ECL credit-impaired): A financial instrument is considered to be credit-impaired as at statement of financial position date, indicators usually include financial asset overdue more than 90 days. The amount equal to lifetime ECL is recognised as loss allowance.

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Measurement of Expected Credit Loss (ECL) (Continued)

(ii) Description of parameters, assumptions, and estimation techniques

ECL is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

ECL is the product of the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

– Probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;

– Loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;

– Exposure at default (EAD): represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount at the time of default.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs change are periodically monitored and reviewed by the Group. These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

(iii) Forward-looking information contained in ECL

According to the risk characteristics of financial assets, the Group identifies macro indicators related to credit risks, and establishes regression models. The Group uses forward-looking information that is available without undue cost or effort and predict the macro-economic assumptions. External information includes macro-economic data, forecast information issued by government or regulatory agencies, for example, gross domestic product index, and customer price index, M2 money supply, etc. The Group measures PD as a weighted average of PD under optimistic, neutral and pessimistic scenarios, with the combination of the LGD of different business, the Group calculates the forward-looking adjusted ECL.

Other financial assets of the Group include cash and cash equivalents, accounts receivable, financial assets at fair value through profit or loss and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk is equal to the carrying amounts of these assets.

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Maximum credit risk exposure

Maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	2021 RMB	2020 RMB
Financial assets		
Loans and receivables	**144,748,384**	174,316,832
Finance lease receivables	**55,107,006**	104,903,288
Trade and other receivables	**12,542,901**	6,177,754
Cash and cash equivalents	**19,146,212**	26,245,251
	231,544,503	311,643,125

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2021 and 2020, without taking account of any collateral held or other credit enhancements attached.

Concentration risk of credit exposure

An analysis of finance lease receivables by industry is set out below:

	2021		2020	
	RMB	**%**	RMB	%
Manufacturing	**13,372,663**	**16%**	21,460,580	16%
Services	**6,853,984**	**8%**	8,763,435	7%
Construction	**25,925,085**	**31%**	47,829,425	37%
Wholesale and retailing	**36,806,750**	**45%**	50,509,937	39%
Others	**115,637**	**–**	2,341,634	1%
Total	**83,074,119**	**100%**	130,905,011	100%

An analysis of loans and receivables by industry is set out below:

Factoring receivables

	2021		2020	
	RMB	**%**	RMB	%
Wholesale and retailing	**33,107,951**	**93%**	4,942,413	64%
Manufacturing	**2,483,050**	**7%**	2,810,671	36%
Total	**35,591,001**	**100%**	7,753,084	100%

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Concentration risk of credit exposure (Continued)

Receivables from sales-leaseback

	2021 RMB	%	2020 RMB	%
Manufacturing	**47,999,991**	**40%**	78,034,873	44%
Rental and business services	**22,705,656**	**19%**	5,358,968	3%
Services	**13,872,659**	**11%**	19,071,775	11%
Wholesale and retailing	**13,643,767**	**11%**	9,450,755	5%
Transportation, warehousing and postal services	**8,254,053**	**7%**	14,380,190	8%
Ecological protection and environmental management	**7,543,365**	**6%**	9,520,446	5%
Real estate	**–**	**–**	40,504,159	23%
Others	**7,076,899**	**6%**	2,109,974	1%
Total	**121,096,390**	**100%**	178,431,140	100%

The following table provides information about the Group's overall ECL rate for trade receivables:

	As at 31 December 2021 Expected loss rate	Gross carrying amount	Loss allowance
Current (not past due)	**1.35%**	**3,166,567**	**42,714**
1-30 days past due	**27.47%**	**760,924**	**209,049**
		3,927,491	**251,763**

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's business. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group's exposure to currency risk primarily arises from cash balances denominated in a foreign currency, i.e. a currency other than the functional currency of the operation to which the transaction related. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded during the assessment.

The Directors consider the Group's exposure to foreign currency risk is not significant during the reporting period.

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

The following table details the interest rate profile of the Group's interest-bearing financial instruments as at 31 December 2021 and 2020.

	2021 RMB	2020 RMB
Fixed rate financial instruments		
Financial liabilities/assets		
Pledged and restricted deposits	**–**	1,743,148
Loans and receivables	**144,748,384**	174,316,832
Finance lease receivables	**55,107,006**	104,903,288
Bank borrowings	**27,133,482**	44,806,661
Lease liabilities	**1,971,150**	355,981
	228,960,022	326,125,910
Variable rate financial instruments:		
Financial assets		
Cash and cash equivalents	**19,146,212**	26,245,251
Net exposure	**189,896,970**	262,045,877

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of 31 December 2021 and 2020.

	2021 RMB	2020 RMB
Retained profits		
+ 100 basis points	**143,597**	196,839
– 100 basis points	**(43,079)**	(59,052)

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of the each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Indefinite/ Overdue/ On demand RMB	Within 1 month RMB	1 to 3 months RMB	3 months to 1 year RMB	1 to 5 years RMB	Total RMB
31 December 2021						
Loans and receivables	14,168,891	4,706,443	13,373,984	82,799,086	55,220,214	170,268,618
Finance lease receivables	56,975,060	4,078,805	2,997,609	21,865,870	4,139,213	90,056,557
Trade and other receivables	895,047	3,123,853	–	1,037,907	223,620	5,280,427
Financial assets at fair value through profit or loss	40,629,936	–	–	–	–	40,629,936
Cash and cash equivalent	19,146,212	–	–	–	–	19,146,212
Total financial assets	131,815,146	11,909,101	16,371,593	105,702,863	59,583,047	325,381,750
Borrowings	–	71,785	211,765	18,323,717	9,639,622	28,246,889
Trade and other liabilities	743,386	1,476,020	213,600	10,962,290	14,706,381	28,101,677
Lease liabilities	–	63,917	128,671	593,057	1,185,505	1,971,150
Total financial liabilities	743,386	1,611,722	554,036	29,879,064	25,531,508	58,319,716
Net exposure	131,071,760	10,297,379	15,817,557	75,823,799	34,051,539	267,062,034

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

	Indefinite/ Overdue/ On demand RMB	Within 1 month RMB	1 to 3 months RMB	3 months to 1 year RMB	1 to 5 years RMB	Total RMB
31 December 2020						
Loans and receivables	20,302,832	44,072,339	14,336,793	57,485,534	69,994,146	206,191,644
Finance lease receivables	110,476,576	2,895,345	5,536,809	16,968,697	5,933,071	141,810,498
Trade and other receivables	4,486,758	–	–	189,565	67,925	4,744,248
Financial assets at fair value through profit or loss	51,574,955	–	–	–	–	51,574,955
Pledged and restricted deposits	1,743,148	–	–	–	–	1,743,148
Cash and cash equivalent	26,245,251	–	–	–	–	26,245,251
Total financial assets	214,829,520	46,967,684	19,873,602	74,643,796	75,995,142	432,309,744
Borrowings	–	103,021	410,983	45,015,271	–	45,529,275
Trade and other liabilities	5,509,787	1,258,035	632,226	12,323,912	21,917,685	41,641,645
Lease liabilities	–	–	212,851	143,130	–	355,981
Total financial liabilities	5,509,787	1,361,056	1,256,060	57,482,313	21,917,685	87,526,901
Net exposure	209,319,733	45,606,628	18,617,542	17,161,483	54,077,457	344,782,843

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair values

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value hierarchy:

	At December 2021			
	Level 1 RMB	**Level 2 RMB**	**Level 3 RMB**	**Total RMB**
Financial assets at fair value through profit or loss				
– Wealth management products	**–**	**32,201,100**	**–**	**32,201,100**
– Listed securities	**8,247,836**	**–**	**–**	**8,247,836**
– Unlisted equity investment	**–**	**–**	**181,000**	**181,000**
	8,247,836	**32,201,100**	**181,000**	**40,629,936**

	At December 2020			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial assets at fair value through profit or loss				
– Wealth management products	–	39,668,535	–	39,668,535
– Listed securities	11,906,420	–	–	11,906,420
	11,906,420	39,668,535	–	51,574,955

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Fair values (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products is determined with reference to the quotation published by the issuing bank as at the end of the year.

(iii) Valuation techniques and inputs used in Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity investment	Market approach	Recent market transaction price

(iv) The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB
At 1 January	–
Payment for purchases	181,000
At 31 December	181,000
Total gains or losses for the year included in profit or loss for assets held at the end of the year	–

27 COMMITMENTS

In November 2021, one of the Group's subsidiary, Xiamen Baiying entered into a capital contribution agreement with Jingong Machinery and Xiamen Qifeng Investment Partnership (廈門啟峰投資合夥企業) ("**Xiamen Qifeng Partnership**"), pursuant to which the parties agreed to establish Fujian Jingong New Energy Technology Co., Ltd. (福建晉工新能源科技有限公司) ("**Jingong New Energy**") in the PRC.

The parties intend to invest a total of RMB100.0 million in Jingong New Energy by contributing to its registered capital, whereby Jingong Machinery agreed to contribute RMB55.0 million, being 55% of the registered capital of Jingong New Energy; Xiamen Qifeng Partnership agreed to contribute RMB40.0 million, being 40% of the registered capital of Jingong New Energy; and Xiamen Baiying agreed to contribute RMB5.0 million, being 5% of the registered capital of Jingong New Energy. Jingong New Energy is principally engaged in the manufacturing and sale of new energy construction machinery in the PRC.

As at 31 December 2021, the capital commitment arising from the equity investment amounted to RMB5.0 million. As at 6 January 2022, Xiamen Baiying has paid RMB2.5 million of its subscribed capital.

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Mr. Zhou Yongwei (周永偉先生)	One of ultimate controlling shareholders of the Group
Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) ("**Septwolves Group Holding**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Industry Co., Ltd.* (福建七匹狼實業股份有限公司) ("**Fujian Septwolves Industry**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司) ("**Fujian Septwolves Group**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Septwolves Asset Management Co., Ltd.* (廈門七匹狼資產管理有限公司) ("**Septwolves Asset Management**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Xiamen Huakai Fugui Property Management* (廈門花開富貴物業管理有限公司) ("**Huakai Fugui Property Management**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司) ("**Jingong Machinery**")	A company of which 50% interest held by Ke Jinding
Zijiang Capital Limited ("**Zijiang Capital**")	One of shareholders of the Group
Hong Kong Li Hong Co., Ltd.* (香港莉鴻責任有限公司) ("**Hong Kong Li Hong**")	A company controlled by Chen Pengling (close member of Zhou Yongwei)
Pirates Media. Co., Ltd.* (廈門市派若文化傳播有限公司) ("**Pirates Media**")	A company controlled by Chen Chunruo, close member of the Executive Director Huang Dake
Henghe Property (Fujian) Co., Ltd.* (恒禾物業(福建)有限公司) ("**Henghe Property**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming
Lianhua (Xiamen) Aviation Food Co., Ltd.* 聯華(廈門)航空食品有限責任公司 ("**Lianhua Food**")	A company controlled by Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2021 RMB	2020 RMB
Short-term employee benefits	**1,662,150**	1,489,723
Post-employment benefits	**33,356**	2,583
	1,695,506	1,492,306

Total remuneration is included in "staff costs" (see note 7(a)).

(c) Related parties transactions

The Group entered into below transactions in the ordinary course of business under normal commercial terms and at the market rates.

	2021 RMB	2020 RMB
Payment for leased assets		
– Jingong Machinery	**7,779,000**	12,897,300
Interest income		
– Baiyingcheng Trade*	**366,839**	980,485
Interest expense		
– Septwolves Group Holding	**465,472**	555,371
– Fujian Septwolves Group	**157,642**	128,106
Marketing expense		
– Pirates Media	**54,922**	–
Rental and property management fee		
– Septwolves Asset Management	**922,314**	962,990
– Huakai Fugui Property Management	**245,019**	234,015
– Henghe Property	**53,843**	–
– Mr. Zhou Yongwei	**–**	60,000
Lending to a related party		
– Baiyingcheng Trade*	**8,300,000**	39,100,000
Repayment from a related party		
– Baiyingcheng Trade*	**8,300,000**	39,100,000
Borrowing from a related party		
– Hong Kong Li Hong	**–**	1,725,362

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Related parties transactions (Continued)

	2021 RMB	2020 RMB
Repayment to a related party		
– Hong Kong Li Hong	–	2,019,936
Payment for guarantee fee		
– Septwolves Group Holding	637,800	730,100
– Fujian Septwolves Group	58,000	332,000
Payment for marketing expense		
– Pirates Media	116,177	–

Note: * As of December 31, 2021, Jinjiang Baiyingcheng Trade Co., Ltd. no longer constituted a related party of the Group.

(d) Balance with related parties

(i) Amounts due from related parties

	2021 RMB	2020 RMB
Trade related		
Prepayment for leased assets		
– Jingong Machinery	40,601	352,026
Other prepayment		
– Fujian Septwolves Industry	–	18,460
– Pirates Media	60,706	–
Non-trade related		
Trade and other receivables		
– Zijiang Capital	57,276	47,899
Prepayment for guarantee fee to related parties		
– Septwolves Group Holding	254,000	141,407
– Fujian Septwolves Group	80,900	196,208
Deposit for rental and property management		
– Septwolves Asset Management	152,250	152,250
– Huakai Fugui Property Management	37,315	37,315
Unlisted equity investment		
– Lianhua Food	181,000	–

(Expressed in Renminbi unless otherwise indicated)

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Balance with related parties (Continued)

(ii) Amounts due to related parties

	2021 RMB	2020 RMB
Trade related		
Accounts payable		
– Jingong Machinery	**115,148**	115,148

(e) Guarantees provided by related parties

The guarantees provided by related parties to the Group as the end of the year were as follows:

	2021 RMB	2020 RMB
– Fujian Septwolves Group	**100,000,000**	100,000,000
– Septwolves Group Holding	**294,000,000**	294,000,000

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of payment for leased assets above constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosures required by Chapter 20 of the GEM Listing Rules are provided in the Directors' Report.

(Expressed in Renminbi unless otherwise indicated)

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2021 RMB**	2020 RMB
Non-current assets			
Interests in subsidiaries		**233,625,976**	241,710,728
Current assets			
Cash and cash equivalents		**530,586**	283,542
		530,586	283,542
Current liabilities			
Trade and other liabilities		**5,140,800**	5,291,821
Net current liabilities		**(4,610,214)**	(5,008,279)
Total assets less current liabilities		**229,015,762**	236,702,449
NET ASSETS		**229,015,762**	236,702,449
CAPITAL AND RESERVES	*25*		
Share capital		**2,301,857**	2,301,857
Share premium		**238,097,760**	238,097,760
Reserves		**(11,383,855)**	(3,697,168)
TOTAL EQUITY		**229,015,762**	236,702,449

Approved and authorized for issue by the board of directors on 24 March 2022.

Huang Dake
Director

Chen Xinwei
Director

(Expressed in Renminbi unless otherwise indicated)

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the Group won the bid for the land use rights of the land and the structures erected thereon in Yongchun County for a total consideration of RMB22,050,000. 50% of the consideration shall be paid by 2 April 2022, and the remainder of the consideration shall be paid by 5 May 2022. The Land is to be transformed and renovated for use as a new wine and vinegar production and storage site of the Qiaoxin with construction expected to be completed by 11 May 2025.

No adjustment has been made in these financial statements in this regard.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company to be held at Unit 1, 30/F, No. 77 Tai Nan Road, Siming District, Xiamen, Fujian Province, the PRC at 10:00 a.m. on Wednesday, 15 June 2022
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company as amended from time to time
"Baiying Paper"	Fujian Baiying Paper Product Co., Ltd.* (福建百應紙業有限公司), a company established in the PRC on 13 January 2021, a subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"Company"	Baiying Holdings Group Limited (百應控股集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 5 June 2017, the Shares of which are listed on GEM (stock code: 8525)
"Controlling Shareholder"	has the meaning ascribed thereto under the GEM Listing Rules and in case of the Company, refers to Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Mr. Zhou Shaoming
"Director(s)"	the director(s) of the Company
"Fujian Province" or "Fujian"	Fujian Province (福建省), a province located in the southeastern coast of China
"Fujian Septwolves Group"	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司), a company established in the PRC, is approximately 37.82% owned by Mr. Zhou Yongwei, a controlling Shareholder, 31.09% owned by Mr. Zhou Shaoxiong and 31.09% owned by Mr. Zhou Shaoming
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group","we", "us" or "our"	the Company and its subsidiaries from time to time
"HDK Capital"	HDK Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company

"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	independent third party(ies) who are not connected person(s) (as defined in the GEM Listing Rules) of the Company and are independent of and not connected with the Company and its Directors, chief executive, and Substantial Shareholders or any of its subsidiaries or their respective associates
"Jingong Machinery"	Fujian Jingong Machinery Co., Ltd.* (福建晉工機械有限公司), a company established in the PRC with limited liability on 27 August 1993, which was owned as to 50% by Mr. Ke Jinding, non-executive Director and 50% by Mr. Ke Shuiyuan
"Listing"	the listing of the Shares on GEM
"Listing Date"	18 July 2018, the day on which the Shares dealings in the Shares first commenced on GEM
"Prospectus"	the prospectus of the Company dated 30 June 2018 in connection with the Share Offer
"Qiaoxin"	Fujian Yongchun Qiaoxin Brewing Co., Ltd. (福建永春僑新釀造有限責任公司), a company established in the PRC on 23 April 2020, an indirectly wholly-owned subsidiary of the Company
"Reporting Period"	the period for year ended 31 December 2020
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Septwolves Group Holding"	Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司), a company incorporated in the PRC with limited liability on 25 February 2000, which is principally engaged in project investment and asset management
"Septwolves Holdings"	Septwolves Holdings Limited, a company incorporated in BVI with limited liability on 26 May 2017
"Septwolves Trade" or "Baiyingcheng Trade"	Jinjiang Baiyingcheng Trade Co., Ltd* (晉江百應成貿易有限責任公司) (formerly known as Jinjiang Septwolves Trade Co., Ltd.* (晉江七匹狼貿易有限責任公司) before 13 August 2021), a company established in the PRC with limited liability, and was a directly wholly-owned subsidiary of Fujian Septwolves Group before 29 December 2021
"SFO"	the securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Baiying"	Shanghai Baiying Commercial Factoring Co., Ltd.* (上海百應商業保理有限責任公司), a company established in the PRC with limited liability on 11 January 2020, an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Share(s)
"Share Offer"	the offer of shares for subscription in Hong Kong pursuant to the terms of the Prospectus in 2018
"Shengshi Capital"	Shengshi Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017
"SMEs"	small and medium-sized enterprise(s), as defined in the Statistics on the Measures for Classification of Large, Medium, Small and Miniature Enterprises (2017) (統計上大中小微型企業劃分辦法(2017))
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, collectively refers to Septwolves Holdings, Mr. Zhou Yongwei, Mr. Zhou Shaoxiong and Ms. Chen Pengling
"VAT"	Value added tax
"Xiamen Baiying"	Xiamen Baiying Leasing Co., Ltd.* (廈門百應融資租賃有限責任公司), a company established in the PRC with limited liability on 9 March 2010, an indirectly wholly-owned subsidiary of the Company
"Zijiang Capital"	Zijiang Capital Limited, a company incorporated in BVI with limited liability on 26 May 2017

Baiying Holdings Group Limited
百應控股集團有限公司