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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8525)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

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

## ANNUAL RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited annual results (the "**Annual Results**") of our Group for the year ended 31 December 2021 (the "**Reporting Period**") prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") promulgated by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Board and the audit committee of the Company (the "**Audit Committee**") have reviewed and confirmed the Annual Results and there is no disagreement with the external auditor of the Company. All amounts set out in this announcement are expressed in Renminbi ("**RMB**") unless otherwise indicated.

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2021*
*(Expressed in RMB)*

| | *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 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*
*(Expressed in RMB)*

| | *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 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*
*(Expressed in RMB)*

| | 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 |

| | 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 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2021*
*(Expressed in RMB)*

| | 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** |

## CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 December 2021*
*(Expressed in RMB)*

| | 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 |

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in RMB 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.

### (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, HKAS16 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.

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**").

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.

### *(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.

*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.

*(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.

*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.

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.

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.

**(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.

**(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.

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.

**(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.

**(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.

**(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.

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.

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)).

***(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.

**(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.

(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.

## 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.

**(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 product 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.

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)** |

*(ii)* ***Reconciliations of reportable segment assets and liabilities***

| | 2021 |
|---|---|
| **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.

## 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 | *16(b)* | **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 |

## 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.

## 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 (黄大柯) | **–** | **726,552** | **117,876** | **12,086** | **856,514** |
| **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 | **–** | **906,552** | **117,876** | **12,086** | **1,036,514** |

| | 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.

## 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** | 2020 |
|---|---|---|
| | ***RMB*** | *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.

## 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.

## 13 INTANGIBLE ASSETS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB*** | *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-up 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 |
| 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 |

(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 |

(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 |

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

| | 2021 12-month ECL *RMB* | 2021 Lifetime ECL Not credit-impaired *RMB* | 2021 Lifetime ECL credit-impaired *RMB* | 2021 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* | 2020 Lifetime ECL Not credit-impaired *RMB* | 2020 Lifetime ECL credit-impaired *RMB* | 2020 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 |

## 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** | 2020 |
|---|---|---|
| | ***RMB*** | *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.

**Analysis of credit quality:**

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB*** | *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 |

## (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)** | **–** | **(2,710,870)** | **(3,108,036)** |
| Write-offs | **–** | **–** | **(12,082,401)** | **(12,082,401)** |
| 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 | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| | *RMB* | *RMB* | *RMB* | *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 |

## 17 TRADE AND OTHER RECEIVABLES

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

**(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** | At 31 December 2020 |
|---|---|---|
| | ***RMB*** | *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

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

## 20 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

| | 2021 | 2020 |
|---|---|---|
| | *RMB* | *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:

| | | 2021 | 2020 |
|---|---|---|---|
| | *Note* | *RMB* | *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 |

**(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** |

| | 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** | 2020 |
|---|---|---|
| | ***RMB*** | *RMB* |
| Within financing cash flows | **870,000** | 930,000 |
| | **870,000** | 930,000 |

These amounts relate to the following:

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

## 21 BORROWINGS

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

Analysis for reporting purpose as:

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

## 22 TRADE AND OTHER LIABILITIES

| | | **2021** | 2020 |
|---|---|---|---|
| | *Note* | ***RMB*** | *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<br>*RMB* | 2020<br>*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.

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

| | 2021<br>*RMB* | 2020<br>*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**<br>***RMB*** | **Total minimum lease payments**<br>***RMB*** | Present value of the minimum lease payments<br>*RMB* | Total minimum lease payments<br>*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 |

## 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 |

#### *(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 |

### (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** | – |

**(c) Share capital**

***(i) Issued share capital***

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Number of shares** | ***RMB*** | Number of shares | *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.

**(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.

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.

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.

Maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB*** | *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% |

***Receivables from sales-leaseback***

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | ***RMB*** | *%* | *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.

### *(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** | 2020 |
|---|---|---|
| | ***RMB*** | *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** | 2020 |
|---|---|---|
| | ***RMB*** | *RMB* |
| Retained profits | | |
| + 100 basis points | **143,597** | 196,839 |
| – 100 basis points | **(43,079)** | (59,052) |

## (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** |

| | 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 |

**(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** | **Level 2** | **Level 3** | **Total** |
| | ***RMB*** | ***RMB*** | ***RMB*** | ***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 | Level 2 | Level 3 | Total |
| | *RMB* | *RMB* | *RMB* | *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.

*(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.

## 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.

**(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** | 2020 |
|---|---|---|
| | ***RMB*** | *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** | 2020 |
|---|---|---|
| | ***RMB*** | *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 related parties | | |
| – Baiyingcheng Trade* | **8,300,000** | 39,100,000 |
| Repayment from related parties | | |
| – Baiyingcheng Trade* | **8,300,000** | 39,100,000 |
| Borrowing from a related party | | |
| – Hong Kong Li Hong | **–** | 1,725,362 |
| 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** | 2020 |
|---|---|---|
| | ***RMB*** | *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** | – |

***(ii) Amounts due to related parties***

| | **2021** | 2020 |
|---|---|---|
| | ***RMB*** | *RMB* |
| **Trade related** | | |
| Accounts payable | | |
| – Jingong Machinery | **115,148** | 115,148 |

**(e) Guarantees provided by related parties**

The guarantees provided by related party to the Group as the end of the year were as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB*** | *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.

## 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*

## 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.

## 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 packaging and paper products trading 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 packaging and paper products trading 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 packaging and paper products trading 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 product 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 6.3 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. 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** *RMB'000* | **Lifetime ECL not credit-impaired** *RMB'000* | **Lifetime ECL credit-impaired** *RMB'000* | **Total** *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** | **Lifetime ECL not credit-impaired** | **Lifetime ECL credit-impaired** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***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 | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *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 product 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. |

| Key requirements | Compliance status |
| --- | --- |
| 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. |
| 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. | Our Group complied with such requirement for the year ended 31 December 2021. |
| 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. | |

| Key requirements | Compliance status |
|---|---|
| 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 product.

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 product 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 for 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 loans and receivables from 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; (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** | 2020 |
| | ***RMB'000*** | *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 years 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 product 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 joint venture company has been 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) ("**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. 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 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 announcement, we have no future plans for investments or external financing.

## EMPLOYMENT AND EMOLUMENTS

As of the date of this announcement, 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 announcement, 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 a 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 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.

## SHARE OPTION SCHEME

The share option scheme was adopted by the Company and approved by the shareholders of the Company on 20 June 2018 (the "**Share Option Scheme**") for the primary purposes of enabling the Company to attract, retain and motivate talented participants and, to strive for future developments and expansion of our Group. Eligible participants of the Share Option Scheme include any employees, any executives, non-executive Directors (including independent non-executive Directors), advisors, 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 announcement, 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, unless a refreshment of the 10% limit mentioned below is approved by our 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 of the Company.

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 of the Company 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 our shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of our 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 our 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.

## 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.

## DIVIDEND

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

## EVENTS AFTER THE REPORTING PERIOD

On 15 March 2022, Qiaoxin, an indirectly wholly-owned subsidiary of the Company, has successfully won the bid for the land use rights of the Land in Yongchun County and the structures erected thereon, Quanzhou city, Fujian Province, the PRC through the process of the listing-for-sale (掛牌出讓) for a total consideration of RMB22,050,000 (equivalent to approximately HK$27,265,982) and entered into a Land Use Right Transfer Agreement with YNRB as a result of the successful bidding.

For more details, please refer to the announcement of the Company dated 15 March 2022.

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 more details, please refer to the announcement of the Company dated 22 March 2022.

Save as disclosed above and in note 30 to the consolidated financial statements of this announcement, the Board is not aware of any events after the Reporting Period.

## 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 Wednesday, 8 June 2022 for registration.

## CORPORATE GOVERNANCE

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

## UPDATES ON DIRECTORS' INFORMATION

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

## REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

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

Pursuant to Rule 5.66 of the Code of Conduct, the Directors have also requested all 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.

## COMPETING BUSINESS

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

## AUDIT COMMITTEE

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. The Annual Results has been reviewed by the Audit Committee. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Annual Results announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.byleasing.com**). The annual report for the year ended 31 December 2021 containing all the information required by the GEM Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By order of the Board
**Baiying Holdings Group Limited**
**Zhou Shiyuan**
*Chairman*

Hong Kong, 24 March 2022

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

*This announcement will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the date of its posting and on the Company's website at www.byleasing.com.*