FY FINANCIAL (SHENZHEN) CO., LTD.
富銀融資租賃(深圳)股份有限公司

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

(Stock code: 8452)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended 31 December 2020 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2019.

This announcement, containing the full text of the 2020 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rule**") in relation to information to accompany preliminary announcement of annual results.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.fyleasing.com) and the Stock Exchange (www.hkexnews.hk). The 2020 annual report of the Company for the Reporting Period will be despatched to holders of H shares of the Company and available on the above websites in due course.

On behalf of the Board
FY Financial (Shenzhen) Co., Ltd.
Mr. Zhuang Wei
Chairman

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)

Non-executive Directors:
Mr. Zhuang Wei (莊巍)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

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

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this 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 in this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.fyleasing.com.

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CORPORATE INFORMATION

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

STOCK CODE
08452

BOARD OF DIRECTORS
Executive Directors
Mr. Li Peng (李鵬)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)

Non-executive Directors
Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

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

SUPERVISORY COMMITTEE
Mr. Tian Xiuju (田秀舉) (Chairman)
Mr. Liu Bing (劉兵)
Mr. Zhu Xiaodong (朱曉東)

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

NOMINATION COMMITTEE
Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Fung Che Wai Anthony (馮志偉)

REMUNERATION COMMITTEE
Mr. Liu Shengwen (劉升文) (Chairman)
Mr. Hon Leung (韓亮)
Mr. Qian Cheng (錢程)

COMPLIANCE OFFICER
Mr. Li Peng (李鵬)

JOINT COMPANY SECRETARIES
Ms. Wang Ying (王瑩)
Ms. Ng Wing Shan (吳詠珊)

AUTHORIZED REPRESENTATIVES
Mr. Weng Jianxing (翁建興)
Ms. Ng Wing Shan (吳詠珊)

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

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Guangdong The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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CORPORATE INFORMATION

AUDITOR

BDO Limited
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LEGAL ADVISERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Qianhai Branch
Block 10, Vanke (Qianhai) Enterprise Mansion
Qianhai, Shenzhen
Guangdong
The PRC

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

China Merchants Bank Co., Ltd.
Central Walk Branch
No. 1094 Level L, Central Walk Plaza
Fuhua First Road
Futian District, Shenzhen
Guangdong
The PRC

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

FIVE YEARS FINANCIAL SUMMARY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2016 RMB'000 Note (a)	2017 RMB'000 Note (b)	2018 RMB'000 Note (c)	2019 RMB'000 Note (d)	**2020** **RMB'000** **Note (e)**
Revenue	76,047	122,739	155,529	152,631	**103,844**
Direct costs	(10,451)	(44,363)	(53,523)	(43,282)	**(34,671)**
Gross profit	65,596	78,376	102,006	109,349	**69,173**
Other income and gains	2,277	2,838	5,110	1,441	**5,209**
Operating expenses	(7,903)	(12,223)	(17,353)	(23,693)	**(13,149)**
Administrative expenses	(18,722)	(25,267)	(30,653)	(34,785)	**(33,568)**
Impairment loss on accounts receivable, net	(7,991)	(4,908)	(4,483)	(3,596)	**(21,756)**
Listing expenses	(8,691)	(9,400)	—	—	—
Profit before income tax	24,566	29,416	54,627	48,716	**5,909**
Income tax expense	(8,397)	(8,728)	(14,424)	(12,655)	**(2,670)**
Profit and total comprehensive income for the year	16,169	20,688	40,203	36,061	**3,239**

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2016 RMB'000 Note (a)	2017 RMB'000 Note (b)	2018 RMB'000 Note (c)	2019 RMB'000 Note (d)	**2020** **RMB'000** **Note (e)**
ASSETS AND LIABILITIES					
Total assets	987,296	1,330,081	1,470,194	1,405,572	**914,055**
Total liabilities	678,011	905,838	1,014,296	931,579	**454,790**
Total equity	309,285	424,243	455,898	473,993	**459,265**
Non-controlling interests	—	—	—	—	—
Equity attributable to equity holders of the Company	309,285	424,243	455,898	473,993	**459,265**

Notes:

(a) The financial figures were extracted from the Prospectus (as defined below) of the Company dated 10 May 2017.

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

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

(d) The financial figures were extracted from the2019 annual report of the Company dated 30 March 2020.

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the"**Board**") of Directors of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2020 (the"**Reporting Period**").

The Group is principally engaged in the provision of finance leasing, factoring, advisory services and customer referral services and the supply of medical equipment in the PRC. With offering financial support to the real economy and promoting the development of small and medium-sized enterprises ("**SMEs**") as its mission, the Group is committed to providing equipment finance leasing and other financial services for SMEs. In line with the principle of prudent operation and taking risk management as priority, the Company explores business opportunities in such area. While continuously exploring finance leasing business and factoring business, the Group established a wholly-owned subsidiary named Zhuhai Fullin Yunlian Investment and Management Co., Ltd.* (珠海富銀雲聯投資管理有限公司) with a registered capital of RMB200 million in Zhuhai on 13 January 2021. It carries on investment activities in relatively familiar areas with its own funds. The establishment of such company will not only diversify our business, but also mitigate the Group's general business risk with enriched asset allocation. The new business will not impact our principal businesses.

In 2020, the global novel coronavirus ("**COVID-19**") pandemic caused significant economic fallout on the PRC and even the whole world. Against the background of hardship within and beyond the state, the Group recorded annual total revenue of approximately RMB103.84 million and net profit of approximately RMB3.24 million.

Leveraging on a series of effective national epidemic prevention and control measures, the Chinese economy gradually recovered during the second half of 2020. However, since the disruptions caused by COVID-19 to domestic and international economic development lingers, the development of the pandemic presently remains a focus for the whole country. As the China-US trade conflicts and other global concerns remains unresolved, there is still uncertainty over the solution to the friction between the world's two largest economies. The said unfavourable external macroeconomic environment brings new challenges to the Group, and in the face of such uncertain macroeconomic environment, the Group has reduced its scheduled capital investments in finance leasing and factoring businesses and shifted its focus from proactive business expansion to prudent management of risks and assets, including implementing stricter criteria when selecting clients with relatively stronger financial backgrounds. Despite such measures will reduce the number of the Group's clients, the Directors are of the view that as the continuous eruption of COVID-19 across the world constitutes a challenge to the global economy, the reduction of the risk resulting from client's failure in timely making payment to the Group is critical to the sustainability of the Group's businesses.

CHAIRMAN'S STATEMENT

The Group's clients mainly include SMEs in a number of strategic industries, including fast-moving consumer goods ("**FMCG**"), electronics, alternative energy, medical, transportation and machinery parts processing industries. COVID-19 and the China-US Trade War impacted on the Group's existing and potential clients. In view of the uncertainties caused by the fallout of COVID-19 on the global economy, the effects of the China-US Trade War, the increase in external risks and challenges, the pressure on the full recovery of domestic economy, and the risk of financial defaults, the Group will provisionally shift its focus from proactive business expansion to strict management of asset quality and credit risks in order to strengthen its ability in response to the adverse impacts from economic fluctuations. While dedicating to the effective monitoring of post-leasing projects, the Group will closely monitor the performance of different lease assets in order to enhance asset quality and reduce loss from credit risks.

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

The Group has established finance leasing business system, risk management system, financial system and office automation management system to realise the effects such as pre-warning, synchronous control and post-supervision, significantly enhancing the Group's efficiency in business and asset management.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to employees and the management for their diligence and commitment over the past year, as well as the trust and support of the shareholders of the Company (the "**Shareholders**") and business partners for the Group. In appreciation of the support and loyalty of the Shareholders, the Board is pleased to recommend the payment of a final dividend (the"**Final Dividend**") of Renminbi ("**RMB**") 0.003 per share (tax inclusive) of the Company for the Reporting Period.

Zhuang Wei
Chairman
Shenzhen, the PRC, 23 March 2021

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's revenue was mainly derived from the finance lease income, factoring service income, advisory service fee income, and sale of goods, accounting for approximately 56.15%, 21.10%, 5.89%, and 16.86% of the total revenue of the Group, respectively. The Group has been focusing on developing quality customers specialising in SMEs in a number of strategic industries, including FMCG, electronics, medical, alternative energy, transportation and machining parts processing industries.

Finance leasing business

The finance leasing business is a core business segment of the Group, comprising direct finance lease, new sale-leaseback and used sale-leaseback transactions. During the Reporting Period, the Group derived a revenue of RMB58.31 million from the finance leasing business.

During the Reporting Period, the Group had 522 finance leasing customers in various industries across more than 19 different municipalities, provinces and autonomous regions in the PRC. In the future, the Group will continue to penetrate into SME customers in the FMCG, medical, electronic products and machinery parts processing industries around the Pearl River Delta and Yangtze River Delta regions. Faced with the uncertain economic situation in the future, the Group will also adjust its strategy in due course to focus on risk management, strengthen asset supervision, improve project risk management and control programs, ensure asset safety and slow down the investment in finance leasing business. At the same time, the Group will improve the efficiency of employees and optimize the allocation of human resources.

Factoring business

During the Reporting Period, the Group continued to develop its factoring business in the areas of property leasing, medical and manufacturing. With its extensive experience in its subdivisions, the Group's factoring business realized revenue of RMB21.91 million during the Reporting Period.

In 2020, in the face of global trade tensions, the spread of COVID-19, financial turmoil and increased market uncertainty, China's factoring industry moved ahead in difficulties. Following a small decline in factoring business volume of banks in China in 2019, China's factoring business volume still showed negative growth in 2020. On the other hand, with the gradual clarification of industry regulatory systems and rules, all regions have generally tightened the registration policies for commercial factoring companies and accelerated the clean-up and standardization of existing companies. As a powerful financial instrument serving private economy and SMEs, commercial factoring is in an important period of strategic opportunities. In the future, the Group will continue to focus on the safe recovery of existing assets, strengthen post-loan supervision, enhance risk control awareness, and reduce credit risk losses.

MANAGEMENT DISCUSSION AND ANALYSIS

Advisory service business

The Group provides customized advisory services to customers and obtains advisory service fee income. The Group's advisory services include the provision of market information (such as analysis of equipment suppliers), product recommendations (such as equipment selection and pricing), industry competition analysis (such as research on the business scale and financial performance of the Group's customers' competitors), solutions to optimize operation process, and financial management (such as analysis of major financial ratios) and asset management advice. The Group also conducts research and analysis for customers to devise solutions aiming at improving their business, operations and financial performance. During the Reporting Period, affected by COVID-19 pandemic, the Group's advisory service business realized revenue of approximately RMB6.12 million. The Group provides customers with high-quality advisory solutions according to their different requirements to satisfy their needs.

OUTLOOK

The Group has been committed to providing high-quality finance leasing, factoring and advisory services, and providing customers with professional and customized comprehensive financing services. Focusing on the above core businesses, the Group continuously optimizes its business and risk management workflow, adheres to legitimate business operations, strengthens risk management, improves asset quality, and enhances the professionalism and efficiency of its employees. In response to the market environment, the Group will also continue to optimize its business strength, and enhance its operational capabilities to minimize operational risks. Furthermore, the Group will constantly enhance its asset management capabilities and strengthen post-loan supervision measures to ensure the safety of assets. In the future, the Group will continue to implement prudent risk management and internal control measures, lay a solid foundation while ensuring the safety of assets, slow down the investment in and stick to focus on finance leasing business, and give full play to the industry advantages to carry out investment business in due time.

REVENUE

During the Reporting Period, the revenue of the Group amounted to approximately RMB103.84 million, representing a decrease of approximately 31.97% from approximately RMB152.63 million for the same period of last year. The decrease in revenue was mainly due to the revenue reduction in financial leasing service, factoring service and advisory service.

GROSS PROFIT

During the Reporting Period, the Group's gross profit amounted to approximately RMB69.17 million, representing a decrease of approximately 36.74% compared to approximately RMB109.35 million for the same period of last year. The decrease in gross profit was mainly due to the decrease in total revenue.

DIRECT COSTS

The Group's main cost items were interest expenses on bank borrowings and cost of inventory sold. During the Reporting Period, the Group's direct costs amounted to approximately RMB34.67 million, representing a decrease of approximately 19.89% compared to approximately RMB43.28 million for the same period of last year. The decrease was primarily attributable to the decrease in interest-bearing bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to approximately RMB5.21 million, representing an increase of approximately 261.81% from approximately RMB1.44 million for the same period of last year. The increase was primarily attributable to the increase in maintenance service income, bank interest income, other income and the receipt of the government grant during the Reporting Period, which was partly offset by the decrease in change in fair value of derivative financial liabilities and the decrease of recharge of insurance premium.

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses amounted to approximately RMB13.15 million, representing a decrease of approximately 44.49% from approximately RMB23.69 million for the same period of last year. The decrease was primarily attributable to the adjustment of corporate strategy to optimize the Group's organization structure and decrease in number of the sales personnel within the Group.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB33.57 million, representing a slightly decrease of approximately 3.48% from approximately RMB34.78 million for the same period of last year.

IMPAIRMENT LOSS ON ACCOUNTS RECEIVABLE

During the Reporting Period, the Group's provision for impairment loss on accounts receivable was approximately RMB21.76 million, representing an increase of approximately 504.44% from approximately RMB3.60 million for the same period of last year. Due to the dim economic situation in 2020 and some of the Group's customers have fallen behind their repayment schedules, the Group has casted doubt on their repayment capabilities. As such, impairment loss on accounts receivable would be made for these customers in accordance with the Group's policy.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense was approximately RMB2.67 million, representing a decrease of approximately 78.89% from approximately RMB12.65 million for the same period of last year. The decrease was primarily attributable to the decrease in profit before income tax.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group's income and expenditure during the Reporting Period were principally denominated in RMB and most of the assets and liabilities as at 31 December 2020 were also denominated in RMB. Bank loans of the Group were denominated in RMB and Euros for the Reporting Period and so the Group is exposed to foreign currency risk. The Group paid off the two bank loans which were denominated in Euros in June 2020 and in November 2020, respectively. As at 31 December 2020, all bank loans of the Group were denominated in RMB. The Board believes such risk did not have any material impact on the financial performance of the Group. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will closely monitor foreign exchange exposure and consider the usage of hedging instruments when the need arises.

FINANCE COSTS

The Group's bank borrowings are denominated in RMB and EUR during the Reporting Period, and have been mainly arranged on a fixed-rate basis. During the Reporting Period, the interest rates on the Group's fixed rate borrowings ranged from 4.50% to 5.13% per annum (2019: 4.75% to 5.13% per annum).

TREASURY MANAGEMENT

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

BANK BORROWINGS AND THE MATURITY PROFILE OF BORROWINGS

Details of bank borrowings of the Group as at 31 December 2020 are set out in note 23 to the consolidated financial statements. As at 31 December 2020, all bank loans of the Group were denominated in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December	
	2020	2019
	RMB	RMB
Cash at bank and in hand	**142,021,437**	20,427,118
Net cash generated from operating activities	**500,212,986**	86,042,700
Net cash generated from/(used in) investing activities	**40,664,621**	(21,476,485)
Net cash used in financing activities	**(419,283,288)**	(116,816,930)

As at 31 December 2020, cash at bank and in hand of the Group was approximately RMB142.02 million, among which RMB141.86 million and RMB0.16 million was denominated in RMB and HKD respectively as compared with approximately RMB20.43 million among which RMB20.26 million and RMB0.17 million was denominated in RMB and HKD respectively as at 31 December 2019.

During the Reporting Period, net cash generated from operating activities was approximately RMB500.21 million, as compared with net cash generated from operating activities of approximately RMB86.04 million for the same period of last year. During the Reporting Period, net cash generated from investing activities was approximately RMB40.66 million, as compared with net cash used in investing activities of approximately RMB21.48 million for the same period of last year. During the Reporting Period, net cash used in financing activities was approximately RMB419.28 million, as compared with net cash used in financing activities of approximately RMB116.82 million for the same period of last year.

As at 31 December 2020, the Group recorded total current assets of approximately RMB652.27 million as compared with approximately RMB974.73 million as at 31 December 2019. The Group's current ratio is approximately 1.74 as at 31 December 2020 (31 December 2019: 1.24). As at 31 December 2020, the gearing ratio of the Group stood at 70% (31 December 2019: 150%). Gearing ratio is calculated based on the total debts (being amount due to an intermediate holding company and bank borrowings) divided by total equity as at the end of each respective year and multiply by 100.0%.

PLEDGE OF ASSETS

As at 31 December 2020, certain of the Group's assets were pledged to secure the borrowings of the Group. The aggregate carrying amount of the pledged assets of the Group as at 31 December 2020 was as follows:

	As at 31 December 2020 RMB
Accounts receivable – finance lease receivables	**28,867,226**
Accounts receivable – receivables from sale-leaseback transaction	**51,222,941**
Bank deposits	**60,000,000**
	140,090,167

MANAGEMENT DISCUSSION AND ANALYSIS

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group had 48 full-time employees, as compared to 129 full-time employees for the same period of last year. Total staff costs (including Directors' and Supervisor's remuneration) was approximately RMB24.50 million for the Reporting Period, as compared with approximately RMB36.75 million for last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. During the Reporting Period, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under the PRC laws.

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

SIGNIFICANT INVESTMENT

As at 31 December 2020, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2020, the Group did not have any plans to acquire material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no commitments for the acquisition of plant and equipment which were contracted for but not yet incurred (31 December 2019: nil).

AUDIT COMMITTEE

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the Reporting Period are set out in note 38 to the consolidated financial statements.

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

Impact of the COVID-19 pandemic

Since the outbreak of COVID-19 in the PRC in January 2020, various finance lease and factoring customers had negotiated with the Group to delay settlement of their receivables. Given the uncertainty in the repayment capacity for the Group's finance lease and factoring customers, the Group has reduced the planned capital investment for its finance lease and factoring businesses and shifted its focus from active business expansion to prudent risk and asset management, which involves imposing more stringent standards in selecting customers with stronger financial background. While such initiative would reduce the number of customers of the Group, the Directors believe that reducing credit risk, which arises from the inability of customers to make timely payments to the Group, is of utmost importance for the sustainability of the Group's business at a time when the global economy is challenged by the continuous worldwide outbreak of the COVID-19. As a result of the adoption of such initiative, the number of new customers of the Group had reduced during the year ended 31 December 2020. During the Reporting Period, the revenue of the Group amounted to approximately RMB103.84 million, representing a decrease of approximately 31.97% from approximately RMB152.63 million for the same period of last year.

Given the uncertainties brought by the impact of COVID-19 on the global economy, the Group will temporarily shift its focus from active business expansion to stringent asset quality and credit risk management, with an aim to enhancing the Group's ability to cope with the adverse effects of economic fluctuations. In addition, the Group implement the cost management and improve the Group's organizational structure. During the Reporting Period, the Group's staff cost amounted to approximately RMB24.50 million, representing a decrease of approximately 33.33% from approximately RMB36.75 million of the same period of last year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2020, the Group had not experienced any difficulty in raising funds by bank borrowings and it had not experienced any liquidity problems in settling its payables in the normal course of business and repaying its bank borrowings when they fall due. After taking into account the Group's internal resources and existing banking facilities available to the Group, the Directors are of the opinion that the Group has sufficient working capital for future operation.

FINAL DIVIDEND

On 23 March 2021, the Board proposed to pay the Final Dividend of RMB0.003 per share for the Reporting Period, an aggregate amount of RMB1,078,020. Final Dividend on H Shares will be paid in Hong Kong Dollars, converted at the central parity exchange rate of RMB against Hong Kong Dollars published by the People's Bank of China on the date of the annual general meeting to be held on Wednesday, 12 May 2021 (the "**AGM**"). The Board recommended to distribute the Final Dividend in cash to the Shareholders whose names appear on the register of members of the Company after the close of business on Monday, 31 May 2021. Subject to the approval of Shareholders at the AGM, the distribution of the Final Dividend is expected to be paid on or before 13 July 2021.

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Peng (李鵬), aged 57, was appointed as a Director on 28 September 2012. He has been responsible for overseeing the daily operation of the Group since he joined the Company as a Director and the general manager in September 2012 and November 2015, respectively. Mr. Li has extensive legal knowledge and over five years of experience in corporate management. Mr. Li joined the predecessor of Tian Yuan Law Firm (天元律師事務所) in October 1993 where he focused on mergers and acquisitions till he left as a partner in September 2010. From October 2010 to September 2013, Mr. Li successively served as the vice president and the chief executive officer in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the overall management of this company. From September 2012 to May 2014, Mr. Li served as a director in China Lihe Company Limited (力合股份有限公司), an investment holding company listed on the Shenzhen Stock Exchange (stock code: 000532). He has served as the chairman of Shenzhen Fullin Jinkong Asset Management Co., Ltd. (深圳富銀金控資產管理有限公司) ("**Fullin Jinkong**"), an investment holding company where he has been responsible for overseeing the general management and of Shenzhen Shanhuitong Internet Financial Service Co., Ltd. (深圳杉滙通互聯網金融服務有限公司) ("**Shenzhen Shanhuitong**"), an online lending agent since June 2013 and July 2014, respectively. In July 2018, Mr. Li was appointed as an independent non-executive director of Shanghai Yaohua Pilkington Glass Group Co., Ltd. (上海耀皮玻璃集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600819) and principally engaged in the research and development, manufacturing and sale of glass. Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC in July 1984.

Mr. Weng Jianxing (翁建興), aged 43, was appointed as a Director on 9 June 2016. He is also the risk management director and responsible for risk management and asset management of the Group. Mr. Weng joined the Group as the head of risk management department in April 2013 and was promoted as the risk management director in April 2015. Mr. Weng has more than seven years of experience in financial products and risk management. From September 2009 to March 2011, Mr. Weng was a product manager in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the development of financial products. From March 2011 to March 2013, he served as the risk control manager of CIMC Financial Leasing Company Limited (中集融資租賃有限公司), a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. He obtained his bachelor's degree in transportation, master's degree in corporate management and doctor's degree in business administration from Changsha Transportation Institute (長沙交通學院), Changsha University of Science & Technology (長沙理工大學) and Central South University (中南大學) in the PRC in June 2002, June 2005 and November 2011, respectively.

Ms. Wang Ying (王瑩), aged 32, was appointed as a Director on 15 May 2018. Ms. Wang is also the Board secretary, the head of finance department and a joint company secretary of the Company. Ms. Wang joined the finance department of the Company as an accountant in January 2013 and has been responsible for financial management of the Group and the administrative matters of the Board. She has more than six years of experience in financial management. Prior to joining the Group, from March 2011 to December 2012, Ms. Wang served as a financial executive in Ningbo Shanshan Co., Ltd. ("**Shanshan**"), where she was responsible for preparing financial reports. She obtained her bachelor's degree in financial management from China University of Geosciences (中國地質大學) in the PRC in June 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhuang Wei (莊巍), aged 54, was appointed as a Director on 28 September 2012. Mr. Zhuang is the chairman of the Board (the "**Chairman**") and is responsible for the overall corporate strategies and management directions of the Group. Before he joined Shanshan and its subsidiaries (other than members of the Group) in March 2007, he worked in a PRC conglomerate from July 1993 to April 2000, an investment company from April 2000 to March 2003 and an IT company from March 2003 to March 2007 successively. He was responsible for investment management in the PRC conglomerate and general management in the other two companies. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of the company. From April 2008 to March 2009, Mr. Zhuang served as the director and the general manager of Shanshan. From March 2009 to May 2020, Mr. Zhuang served as the chairman of Shanshan. Since August 2011, Mr. Zhuang served as a non-executive director of Shanshan Brand Management Co., Ltd. (杉杉品牌運營股份有限公司), a non wholly-owned subsidiary of Shanshan and listed on the Stock Exchange (Stock code: 1749). Mr. Zhuang served as general manager of Shanshan from September 2012 to July 2019. Mr. Zhuang also served as the chairman of Shanshan Group Co., Ltd (杉杉集團有限公司) ("**Shanshan Group**") from September 2019 to February 2021. Besides, he also serves as the chairman and director of a number of subsidiaries of Shanshan. Mr. Zhuang obtained his doctor's degree in political economy from Peking University (北京大學) in the PRC in July 2000.

Mr. Qian Cheng (錢程), aged 47, was appointed as a Director on 28 September 2012. He is responsible for providing strategic advice to the business and operation of the Group. From March 1998 to January 2001, Mr. Qian was a staff in Shanshan Group, where he was responsible for administration and human resources. From February 2001 to May 2002, Mr. Qian was a staff in Shanshan Holding Co., Ltd. (杉杉控股有限公司) ("**Shanshan Holding**"), where he was responsible for administration and human resources. From March 2006 to June 2009, Mr. Qian was a director of Zhongke Yinghua High-teach Company Limited (中科英華高技術股份有限公司), now known as Nuode Investment Co., Ltd. (諾德投資股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600110) and primarily engaged in the business of copper foil, lithium battery materials, investment and import and export, where he was responsible for overseeing the general operation of the company. From March 2007 to March 2008, Mr. Qian was the office director of Shanshan Holding, where he was responsible for administration and human resources. From April 2008 to March 2010, Mr. Qian served as a deputy general manager and the secretary of the board of Shanshan, where he was mainly responsible for assisting the general manager and coordinating communication between the company and investors. Mr. Qian served as a director, the deputy general manager and the secretary of the board of directors of Shanshan from March 2010 to July 2019, from March 2010 to September 2019 and from March 2010 to May 2018, respectively, where he was responsible for assisting the general manager and coordinating communication between investors and the company. Mr Qian served as a director and general manager of Ningbo Shanshan EV Technology & Development Co., Ltd. (寧波杉杉電動汽車技術發展有限公司) ("**Shanshan EV**") since October 2019. Besides, he also serves as the chairman and/or director and/or general manager of a number of subsidiaries of Shanshan. Mr. Qian obtained his bachelor's degree in international relations and public affairs from Fudan University (復旦大學) in the PRC in July 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun Luran (孫路然), aged 28, was appointed as a Director on 12 April 2016. He assumes an advisory role in the Board in view of his knowledge in finance, understanding in the capital and financial market and financial risk management, which will assist the Board to evaluate and improve the internal control and risk management systems of the Group. He joined Shenzhen Shanhuitong as a risk control manager in May 2016 and has been involved in risk management related work shortly after his graduation from the University of Huddersfield in the United Kingdom in June 2014 and March 2016, where he received his bachelor's degree in business management and master's degree in finance, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Che Wai Anthony (馮志偉), aged 52, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司), now known as Zall Smart Commence Group Ltd. (卓爾智聯集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for the overall financial operation, company secretarial matters and investor relations. From May 2017, Mr. Fung serves as the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司) (stock code: 3718), a company engaged in the provision of environmental hygiene services and hazardous waste treatment business. From June 2017, Mr. Fung serves as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), a company listed on the Main Board of the Stock Exchange. From October 2020, Mr. Fung serves as an independent non-executive director of KWG Living Group Holdings Limited (合景悠活集團控股有限公司) (stock code: 3913), a comprehensive property management service provider in China.

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hon Leung (韓亮), aged 38, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015 to June 2018, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of the company. Mr. Hon qualified as a certified public accountant by the HKICPA in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文), aged 44, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. From November 2014 to July 2018, Mr. Liu was the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since July 2018, Mr. Liu has become a member of Da Hua Certified Public Accountants (大華會計師事務所) Shenzhen Branch. Since September 2015, Mr. Liu has been an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code: 300197). Mr. Liu qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000, respectively. Mr. Liu obtained a master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

SUPERVISORY COMMITTEE

Mr. Tian Xiuju (田秀舉), aged 33, was appointed as the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") on 11 August 2015. Mr. Tian joined the internal control department of the Company on 1 July 2014. He has also served as a supervisor of Tianjin Fuyin Leasing Co., Ltd. (天津富銀租賃有限公司) ("**Tianjin Fuyin**") and Zhuhai Fuyin Yunlian Investment Management Co., Ltd. (珠海富銀雲聯投資管理有限公司) ("**Zhuhai Fuyin**"), both are wholly-owned subsidiaries of the Company, since July 2017 and January 2021, respectively. Prior to joining the Group, from July 2012 to June 2014, Mr. Tian successively served as an internal control specialist in Shanshan, where he was responsible for internal control matters. Mr. Tian has also served as a supervisor of Fullin Jinkong, Shenzhen Shanhuitong and Shannong New Agriculture Financial Services (Shenzhen) Co., Ltd. (杉農新農業金融服務(深圳)有限公司) ("**Shannong New Agriculture**"), a company primarily engaged in providing financial agency and consulting services since July 2014, July 2014 and August 2015, respectively, and he resigned as supervisor of Shannong New Agriculture on March 2018. Mr. Tian obtained his bachelor's degree in finance from Anhui University of Finance & Economics (安徽財經大學) in the PRC in July 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Bing (劉兵), aged 48, was appointed as an employee representative Supervisor of the Company on 7 July 2015. Mr. Liu joined the Group on 15 March 2013. From August 1995 to December 2007, Mr. Liu held several positions including deputy office director in Linli Development Reform and Price Bureau (臨澧縣發展改革物價局), where he was responsible for the price determination for electricity, water and petroleum. From May 2009 to December 2010, he was the head of the audit department of Shenzhen Shidu Industrial Company Limited (深圳市世都實業有限公司), a company primarily engaged in the sales of garments, where he was responsible for internal audit. From December 2010 to May 2012, he was a risk manager in Shenzhen Zhongkezhi Financing Guarantee Company Limited, a company primarily engaged in providing credit guarantee services, where he was responsible for due diligence and assets valuation. From June 2012 to March 2013, he was the manager of the department of risk management in Shenzhen Wanfeng Weiye Financing Guarantee Company Limited (深圳市萬豐偉業融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for establishing the risk management system. Mr. Liu obtained a graduation certificate in audit from Hunan University of Commerce (湖南商學院) in the PRC in June 1995. In addition, he obtained a price appraiser qualification certificate from the Personnel Department of Hunan Province (湖南省人事廳) in the PRC in April 2001. In December 2011, Mr. Liu also became a non-practising member of The Chinese Institute of Certified Public Accountants of the PRC.

Mr. Zhu Xiaodong (朱曉東), aged 48, was appointed as a Supervisor and elected as the representative of the Shareholders on 11 August 2015. He has also served as a supervisor of Tianjin Fuyin, a wholly-owned subsidiary of the Company, since July 2017. Since July 2003, he has been the chief financial officer of Beijing Municipality Dayuan Tiandi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司) ("**Dayuan Tiandi**"), a property developer, where he has been responsible for the financial management of that company. Mr. Zhu obtained a bachelor's degree in law from Tianjin Normal University (天津師範大學) in the PRC in July 2001.

Save as disclosed above in this section, none of the Directors or Supervisors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules, and none of the Directors, Supervisors and senior management members acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years. There is no financial, business, family or other significant relationship among the Directors, the Supervisors and senior management members of the Company.

SENIOR MANAGEMENT

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

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

Ms. Wang Ying (王瑩), for details of Ms. Wang Ying's biography, see "Executive Directors" above.

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH THE CG CODE

The Group is committed to have a high quality Board and a high level of transparency and observed the principles and code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules. The Board has taken actions and measures to make sure that the Company is in all aspects in strict compliance with the Listing Rules and the CG Code. The current practices are reviewed and updated regularly to be in line with the CG Code and align with the latest developments. During the Reporting Period, the Group has complied with all the code provisions and principles of the CG Code. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

COMPOSITION AND DUTIES OF THE BOARD

As at 31 December 2020, the Board consisted of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

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

Executive Directors

Mr. Li Peng (李鵬) (General Manager)
Mr. Weng Jianxing (翁建興)
Ms. Wang Ying (王瑩)

Non-executive Directors

Mr. Zhuang Wei (莊巍) (Chairman)
Mr. Qian Cheng (錢程)
Mr. Sun Luran (孫路然)

Independent Non-executive Directors

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

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

Each of the Directors (including the non-executive Directors and the independent non-executive Directors) has entered into a service contract with the Company for a term of 3 years.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Ms. Wang Ying and Ms. Ng Wing Shan have been appointed as the joint company secretaries of the Company. Ms. Wang Ying is the Board secretary and the head of finance department of the Company. Ms. Ng Wing Shan is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited), and assists Ms. Wang Ying in company secretarial affairs. Ms. Ng Wing Shan's primary company contact person is Ms. Wang Ying.

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

BOARD COMMITTEES

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

Audit Committee

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

During the Reporting Period, the Audit Committee held four meetings to review the quarterly financial results announcement and report for the three months ended 31 March 2020; the interim financial results announcement and report of the Company for the six months ended 30 June 2020; the quarterly financial results announcement and report for the nine months ended 30 September 2020; and the annual financial results announcement and report of the Company for the year ended 31 December 2019 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Company's internal audit function.

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

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

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

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

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

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

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

REMUNERATION POLICY

The Group provides employees with fair and equitable remuneration and benefits based on individual performance, experience and market benchmarks. The Group have formulated a set of employee performance appraisal mechanisms and makes appropriate salary adjustments every year according to employee performance to reduce the loss of talent. During the Reporting Period, there was no any long-term incentive schemes of the Group.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Extraordinary General Meeting	Annual General Meeting
Executive Directors						
Mr. Li Peng (李鵬)	18/18	N/A	N/A	N/A	1/1	1/1
Mr. Weng Jianxing (翁建興)	18/18	N/A	N/A	N/A	1/1	1/1
Ms. Wang Ying (王瑩)	18/18	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Zhuang Wei (莊巍)	18/18	N/A	1/1	N/A	1/1	1/1
Mr. Qian Cheng (錢程)	18/18	N/A	N/A	1/1	1/1	1/1
Mr. Sun Luran (孫路然)	18/18	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Fung Che Wai Anthony (馮志偉)	18/18	4/4	1/1	N/A	1/1	1/1
Mr. Hon Leung (韓亮)	18/18	4/4	1/1	1/1	1/1	1/1
Mr. Liu Shengwen (劉升文)	18/18	4/4	N/A	1/1	1/1	1/1

CORPORATE GOVERNANCE REPORT

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Name of Director	Attending in-house training organized by professional organizations	Reading materials updating new rules and regulations
Executive Directors		
Mr. Li Peng (李鵬)	√	√
Mr. Weng Jianxing (翁建興)	√	√
Ms. Wang Ying (王瑩)	√	√
Non-executive Directors		
Mr. Zhuang Wei (莊巍)	√	√
Mr. Qian Cheng (錢程)	√	√
Mr. Sun Luran (孫路然)	√	√
Independent Non-executive Directors		
Mr. Fung Che Wai Anthony (馮志偉)	√	√
Mr. Hon Leung (韓亮)	√	√
Mr. Liu Shengwen (劉升文)	√	√

REQUIRED STANDARD OF DEALINGS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

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

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

Mr. Li Peng is the general manager of the Company and is responsible for the Group's day-to-day management, operations and business development. The general manager focuses on implementing objectives, polices and strategies approved by the Board.

AUDITOR'S REMUNERATION

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

Type of services provided by external auditors	Amount of fees (HK$)
Audit services	840,000
Non-audit service	145,000
Total	985,000

Non-audit service includes review conducted for the period ended 30 June 2020 and preparation of a letter on working capital sufficiency statement.

CORPORATE GOVERNANCE REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INFORMATION DISCLOSURE

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

BOARD DIVERSITY POLICY

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

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

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

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

	Age			Gender		Education Background			
Name of Directors	below 30	30-39	40-59	Male	Female	Legal	Accounting/ Finance/ Economic	Management	others
Li Peng			✔	✔		✔			
Weng Jianxing			✔	✔				✔	
Wang Ying		✔			✔		✔		
Zhuang Wei			✔	✔			✔		
Qian Cheng			✔	✔					✔
Sun Luran	✔			✔			✔		
Fung Che Wei, Anthony			✔	✔			✔		
Liu Shengwen			✔	✔					✔
Hon Leung		✔		✔			✔		

CORPORATE GOVERNANCE REPORT

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG MEMBERS OF THE BOARD

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and the senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct applicable to employees and the Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

CORPORATE GOVERNANCE REPORT

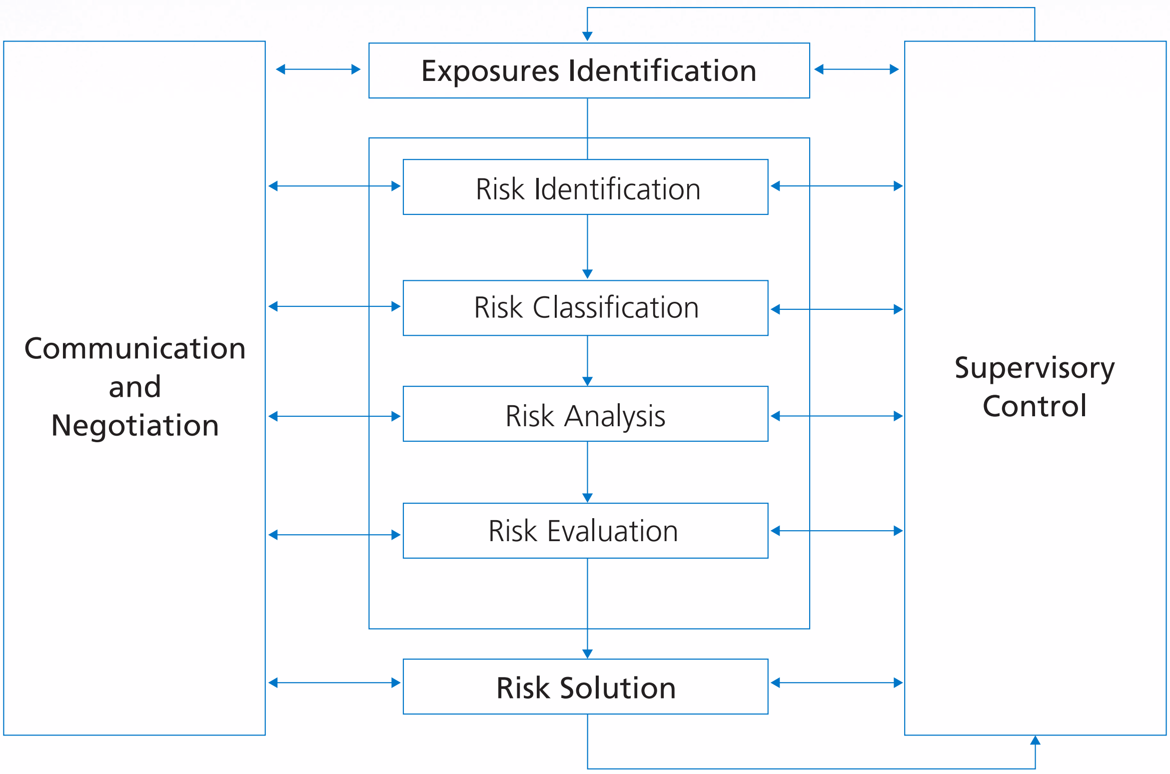
The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system. Further information of the Company's risk management process and features are set out below.

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

– part of the management process;

– embedded in culture and specific work practices;

– making plans for the realization of business objectives in accordance with the Company's business process.



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

a. Risk management creates and protects value.

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

CORPORATE GOVERNANCE REPORT

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

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

c. Risk management supports decision making.

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

d. Risk management clearly solves the problem of uncertainty.

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

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

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

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

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

– risk management performance is measured based on parameters that are properly and regularly reviewed;

– regularly measure the progress and deviation degree of the risk management plan;

– periodically review whether the risk management framework, policies and plans are still appropriate and effective based on the internal and external conditions of the Company;

– report on the progress of the risk management plan and how to implement the risk management policy;

– review the effectiveness of the risk management framework.

CORPORATE GOVERNANCE REPORT

(D) to resolve material internal control defects;

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

– evaluating risk management;

– determining whether the degree of residual risk is tolerable;

– new risk management if not permitted;

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

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

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

c. Eliminating sources of risk;

d. Possibility of change;

e. Changing the consequences;

f. Sharing the risk with the other parties;

g. Risk retention through fact-based decisions.

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

Shareholders' Rights to Propose Resolutions

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

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

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

Shareholders' Right to Requisite a Meeting

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

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

CORPORATE GOVERNANCE REPORT

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

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

Inquiry and Communication of Shareholders

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

The AGM will be held on Wednesday, 12 May 2021.

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

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

CORPORATE GOVERNANCE REPORT

POLICY ON PAYMENT OF DIVIDENDS

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

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

CORPORATE GOVERNANCE REPORT

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Articles of Association was approved for amendments by Shareholder at the annual general meeting on 18 May 2020 mainly to amend the laws and regulations and the relevant provisions of holding general meeting. The amended and restated Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

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

COMPETING INTERESTS

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

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Zhuang Wei
Chairman

Hong Kong, 23 March 2021

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregated sales of the Group to the top five customers accounted for 26.21% (2019: 19.07%) of the total income of the Group, and the sales of the Group to the largest customer accounted for 14.06% (2019: 6.2%).

For the Reporting Period, the aggregated purchases of the Group from the top five suppliers accounted for 46.95% (2019: 12.01%) of the total purchases of the Group, and the purchases of the Group from the largest supplier accounted for 23.56% (2019: 4.16%).

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

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 29 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

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

FINANCIAL STATEMENTS

The results of the Group for the Reporting Period as at that date are set out in the consolidated financial statements on pages 90 to 176 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 6 of this annual report. A discussion on the key financial performance indicators of the Group for the Reporting Period is provided in the Management Discussion and Analysis on pages 7 to 14 of this annual report. The review and discussion thereof form part of this Report of the Directors.

REPORT OF THE DIRECTORS

INDUSTRY FACTORS

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

RESERVES

Details of movements in reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in this annual report and details of reserves distributable to the Shareholders are set out in note 30 to the consolidated financial statements. In respect of the Company, the amount of reserves available for distribution as at 31 December 2020 was RMB99.92 million.

PROPERTIES, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DIVIDEND

The Board proposed the payment of the Final Dividend for the Reporting Period of RMB0.003 per ordinary share (tax inclusive) (2019: RMB0.05).

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

TAX RELIEF

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

REPORT OF THE DIRECTORS

KEY PERFORMANCE INDICATORS

Customer satisfaction

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

Return On Equity

The Group's return on equity, is calculated based on the net profit for the respective period divided by the total equity as at the respective dates and multiplied by 100%. The Group's return on equity is approximately 0.71% during the Reporting Period.

SUFFICIENCY OF THE PUBLIC FLOAT

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

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Each of Hong Kong Shanshan Resources Company Limited ("**Shanshan HK**"), Shanshan, Shanshan Group, Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**"), Shanshan Holding, Ningbo Qinggang Investment Co., Ltd. ("**Qinggang Investment**"), Ms. Zhou Jiqing and Mr. Zheng Yonggang, being the controlling shareholders of the Company (the "**Controlling Shareholders**"), has confirmed to the Company that it/she/he: (i) had no interests in any business which competes or may compete with the business of the Group or any other conflicts of interest which it/she/he has or may have with the Group; and (ii) had complied with the non-competition undertakings by it/her/him to the Company since 1 January 2020 up to 21 December 2020, being the date each of Shanshan HK, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Ms. Zhou Jiqing and Mr. Zheng Yonggang ceased to the Controlling Shareholders as a results of disposal of the Company's shares by Shanshan HK, details of which are set out in the Company's announcement of 18 November 2020. The independent non-executive Directors have reviewed the compliance and enforcement of the non-competition undertakings and have confirmed that all the undertakings thereunder have been complied by each of the Controlling Shareholders during the aforementioned period.

REPORT OF THE DIRECTORS

CONTRACTS OF SIGNIFICANCE

During the Reporting Period, save as disclosed in the paragraph headed "Continuing Connected transaction" and related party transactions set out in note 31 to the consolidated financial statements in this report, the contracts of significance are set out below:

Major and connected transaction-sale and leaseback agreements with Longding Huayuan

On 17 August 2020, the Company entered into sale and leaseback agreements (the "**Agreements**") with Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司) ("**Longding Huayuan**"), pursuant to which the Company would purchase various lease assets (the "**Leased Assets**") from Longding Huayuan at an aggregate consideration of RMB72,000,000 and the Company would lease the Lease Assets to Longding Huayuan for a term of 36 months in return for lease payment. Details and the purpose of the transaction are set out in the Company's announcement of 17 August 2020 and its circular of 25 September 2020.

Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company who is interested in 80,000,000 domestic shares of the Company, representing approximately 22.26% of the total number of issued shares of the Company as at the date of the Agreements, and is therefore a connected person of the Company under the GEM Listing Rules. The transactions contemplated under the Agreements constitute a major and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules.

During the Reporting Period, save as disclosed in this report, there had been no contracts of significance (i) in relation to the Group's business between the Company or any of its subsidiary and a Controlling Shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries; or (ii) for provision of services to the Group by a Controlling Shareholder (or any or its subsidiaries), subsisted during or as at 31 December 2020.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

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

Name	Age	Position	Appointment date
Mr. Li Peng (李鵬)	57	Executive Director and general manager	28 September 2012
Mr. Weng Jianxing (翁建興)	43	Executive Director and risk management director	9 June 2016
Ms. Wang Ying (王瑩)	32	Executive Director and the Board secretary, the head of finance department and a joint company secretary of the Company	15 May 2018
Mr. Zhuang Wei (莊巍)	54	Non-executive Director and chairman of the Board	28 September 2012
Mr. Qian Cheng (錢程)	47	Non-executive Director	28 September 2012
Mr. Sun Luran (孫路然)	28	Non-executive Director	12 April 2016
Mr. Fung Che Wai Anthony (馮志偉)	52	Independent non-executive Director	21 April 2017
Mr. Hon Leung (韓亮)	38	Independent non-executive Director	21 April 2017
Mr. Liu Shengwen (劉升文)	44	Independent non-executive Director	21 April 2017
Mr. Tian Xiuju (田秀舉)	33	Chairman of the Supervisory Committee	11 August 2015
Mr. Liu Bing (劉兵)	48	Employee representative Supervisor	7 July 2015
Mr. Zhu Xiaodong (朱曉東)	48	Shareholders representative Supervisor	11 August 2015

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, the Supervisors and the senior management of the Group are set out on pages 15 to 19 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and the Supervisors has entered into a service contract with the Company for a term of three years.

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

The current session of the Directors and Supervisors will expire on 15 May 2021. Election of the Directors and Supervisors will be proposed at the Company's forthcoming annual general meeting. Biographical details of the candidates will be set out in the circular of the Company to be despatched in due cause.

REPORT OF THE DIRECTORS

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

None of the Directors and the Supervisors or their associated entities had a material interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group subsisted as at 31 December 2020 or entered into with the Company or any of its controlling companies or subsidiaries during the Reporting Period.

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

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

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

REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

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

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

	Number of individual(s)	
	2020	2019
Nil to HK$1,000,000	**3**	3

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

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

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

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

BANK BORROWINGS AND THE MATURITY PROFILE OF BORROWINGS

Details of bank borrowings of the Group as at 31 December 2020 are set out in note 23 to the consolidated financial statements.

MAJOR RISKS AND UNCERTAINTIES

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

Credit risk management

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

REPORT OF THE DIRECTORS

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

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

REPORT OF THE DIRECTORS

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

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

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

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

REPORT OF THE DIRECTORS

Liquidity risk management

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

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

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

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

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

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

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

Interest rate risk management

The interest rate risk refers to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and accounts receivable.

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

- tracking interest rate fluctuations regularly; and

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

REPORT OF THE DIRECTORS

Operational risk management

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

Legal and compliance risk management

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE DIRECTORS

MATERIAL LEGAL PROCEEDINGS

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

CONTINUING CONNECTED TRANSACTION

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

1. Provision of accounts receivable factoring services to Longding Huayuan

On 9 October 2017, Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司) ("**Fullin Factoring**"), a wholly-owned subsidiary of the Company, entered into the with-recourse commercial factoring agreement ("**Factoring Agreement I**") with Longding Huayuan, pursuant to which Fullin Factoring has agreed to provide accounts receivable factoring services for Longding Huayuan for a term of three years commencing from the date on which the conditions precedent under the Factoring Agreement I had been fulfilled with a facility in the factoring principal amount of RMB41,800,000.

Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial shareholder of the Company who is interested in 80,000,000 domestic shares of the Company, representing approximately 22.26% of the total number of issued shares of the Company as at the date of the Factoring Agreement I, and is therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the transactions contemplated under the Factoring Agreement I constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

As disclosed in the announcement of the Company dated 9 October 2017 and the circular of the Company dated 3 November 2017, the annual caps for the Factoring Agreement I, having taken into account the aggregate of the maximum outstanding balance of the factoring principal amount, the factoring interest and the management fee payable by Longding Huayuan to Fullin Factoring under the Factoring Agreement I, for each of the four years ending 31 December 2020 are RMB43.0 million, RMB46.0 million, RMB31.0 million and RMB16.0 million, respectively.

REPORT OF THE DIRECTORS

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

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

Shanghai Kuaijie is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, a company established in the PRC with limited liability which is owned as to 49% by Beijing Dayuan Tiandi, a 56% owned subsidiary of Dayuan Tiandi, and 51% by Shanghai KYMS.

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

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

REPORT OF THE DIRECTORS

The above continuing connected transactions are also disclosed in "Related Party Transactions" in note 31 to the consolidated financial statements. The Directors consider that the related party transactions conducted with Shanshan as disclosed in "Related Party Transactions" in note 31 to the consolidated financial statements in this report do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 20 of the GEM Listing Rules. The Company confirmed that it has complied with the disclosure requirements under Chapter 20 of the GEM Listing Rules.

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

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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

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

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

(3) in accordance with the relevant agreement with terms which are fair and reasonable and in the interests of the Shareholders as a whole.

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

(i) have not been approved by the Board;

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

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

The Directors confirm that the Company has complied with all applicable requirements under Chapter 20 of the GEM Listing Rules for the year ended 31 December 2020 regarding the above continuing connected transactions.

REPORT OF THE DIRECTORS

DONATION

No charitable and other donations were made by the Group during the Reporting Period (2019: RMB nil).

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

PRE-EMPTIVE RIGHTS

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

PENSION SCHEME

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

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

REPORT OF THE DIRECTORS

AUDITOR

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

DISCLOSURE OF INTEREST

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons or corporations (other than the Directors, Supervisors or chief executives of the Company) had the following interests or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company (1)	Percentage (approximate)	Number of shares held in the total share capital of the Company (1)	Percentage (approximate)
Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. (北京市大苑天地房地產開發有限公司) ("**Dayuan Tiandi**") (2)	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua ("**Mr. Zhao**") (2)	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang ("**Mr. Gong**") (2)	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Hong Kong Shanshan Resources Company Limited (香港杉杉資源有限公司) ("**Shanshan HK**") (3) (4) (5) (6)	Unlisted foreign shares	Beneficial owner	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
Ningbo Shanshan Co., Ltd. (寧波杉杉股份有限公司) ("**Shanshan**") (3)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company (1)	Percentage (approximate)	Number of shares held in the total share capital of the Company (1)	Percentage (approximate)
Shanshan Group Co., Ltd. (杉杉集團有限公司) ("**Shanshan Group**") (4)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Yonggang Clothing Investment Co., Ltd. (寧波甬港服裝投資有限公司) ("**Ningbo Yonggang**") (5)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Holding Co., Ltd. (杉杉控股有限公司) ("**Shanshan Holding**") (6)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Qingang Investment Co., Ltd. (寧波青剛投資有限公司) ("**Qinggang Investment**") (7)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Mr. Zheng Yonggang ("**Mr. Zheng**") (8)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ms. Zhou Jiqing (8)	Unlisted foreign shares	Interest of a controlled corporation	70,445,200 (L)	47.12%	70,445,200 (L)	19.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

REPORT OF THE DIRECTORS

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company [1]	Percentage (approximate)	Number of shares held in the total share capital of the Company [1]	Percentage (approximate)
Beijing Youke Yu Technology Development Co., Ltd. (北京優科玉科技發展有限公司) ("**Youke Yu**") [9]	Unlisted foreign shares	Beneficial owner	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Xinmao Licheng Trading Co., Ltd. (北京鑫茂立成商貿有限公司) ("**Xinmao Licheng**") [9]	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Guo Lidong ("**Mr. Guo**") [9]	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Mr. Yan Wenge ("**Mr. Yan**") [9]	Unlisted foreign shares	Interest of a controlled corporation	46,714,200 (L)	31.25%	46,714,200 (L)	13.00%
Beijing Hengsheng Rongcheng Trading Co., Ltd. [10] (北京恒盛融誠商貿有限公司)	Unlisted foreign shares	Beneficial owner	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
Mr. Wu Yue [10]	Unlisted foreign shares	Interest of a controlled corporation	32,340,600 (L)	21.63%	32,340,600 (L)	9.00%
KKC Capital Limited	H shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio	H shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
A Plus Capital Management Limited	H shares	Investment manager	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%
Tiger Capital Fund SPC – Tiger Global SP	H shares	Beneficial owner	9,318,000 (L)	10.37%	9,318,000 (L)	2.59%

REPORT OF THE DIRECTORS

Notes:

(1) The letter "L" denotes the person's long position in the shares. As at 31 December 2020, the Company issued a total of 359,340,000 shares, including 120,000,000 domestic shares, 89,840,000 H shares and 149,500,000 unlisted foreign shares.

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

(3) Shanshan is a joint stock limited company established in the PRC whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600884) and is the sole shareholder of Shanshan HK. Shanshan is also indirectly interested in 40% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創暉創業投資管理有限公司) which is the general partner of Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)) ("**Nantong Shanshan**"). By virtue of the SFO, Shanshan is deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

(4) Shanshan Group holds 32.69% of the registered share capital of Shanshan, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

(5) Ningbo Yonggang is interested in 10.44% of the registered capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

(6) Shanshan Holding directly holds approximately 7.18% of the registered share capital of Shanshan and indirectly holds approximately 32.69% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly holds 54.08% and indirectly holds 10.44% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

(7) Qinggang Investment owns approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

(8) Qinggang Investment is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, Mr. Zheng and Ms. Zhou are deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.

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

(10) Beijing Hengsheng Rongcheng Trading Co., Ltd. 100% owned by Mr. Wu Yue.

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

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person or corporation which had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, the following Directors, Supervisors or chief executive of the Company had interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors):

Interest in the associated corporation (long position)

Name	Associated corporation	Nature of interest	Number of shares	Approximate percentage of share capital (%)
Mr. Zhuang Wei	Shanshan Holding	Interest of a controlled corporation	22,000,000	2.20

Note: Mr. Zhuang Wei is deemed to be interested in the shares of Shanshan Holding held by Ningbo Meishan Bonded Port Area Longhe Investment Partnership (L.P.) (寧波梅山保港區瀧和投資合夥企業(有限合夥)), which is a corporation 99% owned by Mr. Zhuang Wei. Shanshan Holding is a controlling Shareholder of the Company.

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

REPORT OF THE DIRECTORS

BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS OF THE COMPANY

During the Reporting Period, the Group had implemented the following measures to achieve the business objectives set out in the Prospectus. The Group will continue to apply such measures and strategies in 2021 in order to sustain its rapid growth.

Business Objectives	Directors Comments
During the Reporting Period, the Group continue improving its internal management mechanism and optimize the asset structure, thus to improve the risk management and internal control.	The Board considered the risk management and internal control systems is effective and adequate in all material aspects in both design and operations.
The Group winnowed a group of high quality customers in order to maintain its market share in finance leasing business. As at 31 December 2020, the Group had 522 finance leasing customers.	The Group will continue to maintain its market coverage and customer base in SME customers.
The Group winnowed a group of high quality customers in order to maintain its market share in factoring business. As at 31 December 2020, the Group had 24 factoring customers.	The Group will continue to maintain its market coverage and customer base in SME customers.
As a part of the Group's efforts to cultivate and enhance the knowledge and capabilities of its work force, as well as its endeavors to provide high quality professional services, the Group had provided training programs for the management team and its business and risk management managers to enhance their industry knowledge and keep them abreast of updates to the industries. As at 31 December 2020, the Group had provided 10 training programs for its employees.	The Board considered the training programs are effective and can satisfy its professional qualifications of job.

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Zhuang Wei
Chairman of the Board

Shenzhen, the PRC, 23 March 2021

REPORT OF THE SUPERVISORY COMMITTEE

In 2020, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, the Articles of Association, the rules of procedures of the Supervisory Committee and the GEM Listing Rules.

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

I. MEETINGS OF THE SUPERVISORY COMMITTEE

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

- Review of the annual report of 2019, the first quarterly report, the interim report and the third quarterly report for 2020.

- Review of the financial budget plan for 2019, the resolution on profit and dividend distribution plan for 2019 and the financial budget proposal for 2020.

- Considering and approving the work report of the Supervisory Committee for 2019.

As at 31 December 2020, members of the Supervisory Committee attended and observed all general meetings and Board meetings in accordance with laws and monitored the matters considered at the Board meetings and general meetings and the compliance with laws and regulations of procedures. During the Reporting Period, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2020 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2020 and the financial performance and cash flow in 2020.

REPORT OF THE SUPERVISORY COMMITTEE

2. Connected Transactions and Continuing Connected Transaction

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

3. Internal control

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

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to all such reports and resolutions submitted by the Board to the general meetings of the Shareholders for consideration and approval in 2020. The Supervisory Committee supervised the implementation of the resolutions of the general meetings of the Shareholders and considered that the Board had prudently implemented the resolutions of the general meetings of the Shareholders.

5. Operations in Compliance with Laws and Regulations

During the Reporting Period, the operations of the Company were normal and reasonable and were in compliance with applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of non-compliance with laws, regulations, the Articles of Association or behaviors that were detrimental to the interests of the Company and the Shareholders as a whole committed by the Directors and the senior management of the Company in discharging their duties.

FY Financial (Shenzhen) Co., Ltd.
Supervisory Committee
23 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND LIMITATION OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the disclosures requirements under the "comply or explain" provisions as to the Appendix 20 "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") of the GEM Listing Rules, this environmental, social and governance report (the "**ESG Report**") covers the overall performance of the Group in environmental, social and governance (the "**ESG**") aspects during the period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**"). The ESG Guide content index is set out in the Appendix of this ESG Report. The Company had complied with the "comply or explain" provisions of the GEM Listing Rules during the Reporting Period.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INFORMATION AND FEEDBACK

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

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

STAKEHOLDER ENGAGEMENT

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

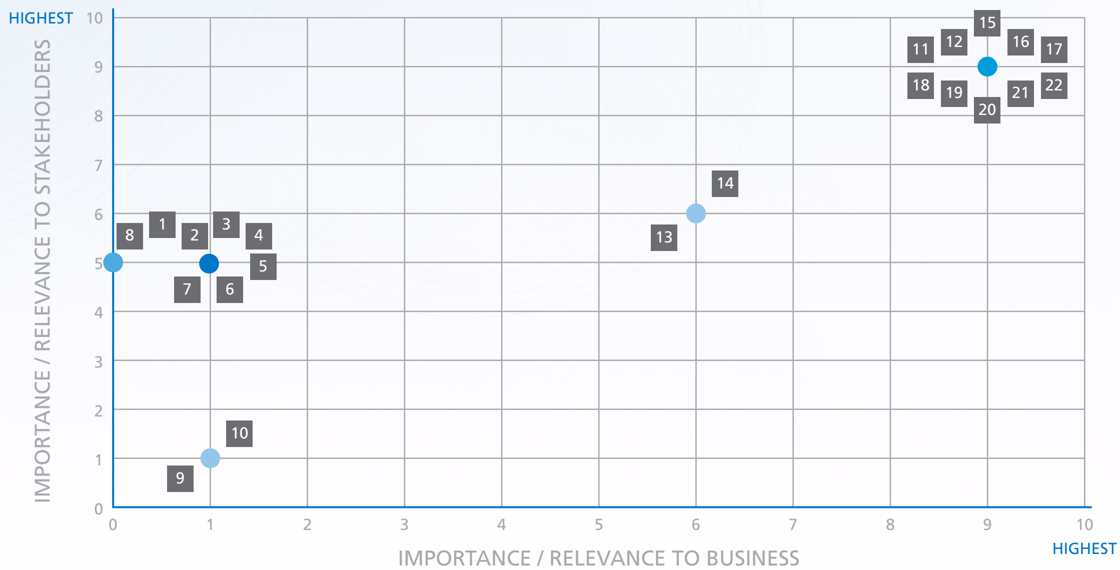
MATERIALITY ASSESSMENT

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality matrix for Environmental, Social and Goverance Aspects



Environmental	Social	Operating practices

1. Greenhouse gas emissions
2. Energy consumption
3. Use of water resources
4. Air emission
5. Waste generation
6. Environmental impact of business operation
7. Compliance with laws and regulations relating to environmental protection
8. Use of chemicals

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

This ESG Report was approved by the Board on 23 March 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

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

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

Goals

– Reducing emission of carbon dioxide

– Reducing consumption of resources

– Reducing production of waste

During the Reporting Period, the Group was in compliance with the rules and regulations related to environmental protection and did not identify any violations that were related to environmental protection and other applicable laws and regulations that has significant impact relating to air and greenhouse gases emissions, discharges into water and land, generation of hazardous and non-hazardous waste of the Group.

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

EMISSIONS

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group had a vehicle which travelled 26,242 km (2019: two vehicles travelled 42,144 km in total), which was mainly used for short distance business trip. The Group encourages all employees taking public transport to customers' companies and using the vehicle only in case of emergency. Meanwhile, the vehicle was monitored and inspected by the system on a regular basis to keep them in the best conditions in order to increase fuel consumption efficiency and ensure road safety.

The employees took aircrafts for business trips for 387 times (2019: 809 times) and the total carbon dioxide equivalent generated from air travel amounted to 47,503.40 kg (2019: 95,291.10 kg). The purposes of business trip are business development, risk auditing and asset management, etc. The Group has adopted a policy of emission reduction including, (i) the employees only took aircrafts for business trips when necessary; and (ii) the Group arranges phone or video conference instead of face-to-face meetings to reduce emissions from transportation.

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

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

Air emissions from the use of motor vehicles

Environmental Indicators	Unit	2020	2019
Nitrogen oxides (NOx) emissions	Kg	23.22	37.30
Sulphur oxides (SOx) emissions	Kg	0.10	0.12
Particulate matter (PM) emissions	Kg	2.23	3.57

GHG emissions from operation

Environmental Indicators	Unit	2020	2019
Direct emissions (Scope 1)	Kg CO_{2e}	18,753	21,833
Indirect emissions (Scope 2)	Kg CO_{2e}	58,736*	113,639
Other indirect emissions (Scope 3)	Kg CO_{2e}	51,231*	100,138
Total GHG emissions	Kg CO_{2e}	128,720	235,610
GHG emissions intensity	Kg CO_{2e} per employee	2,682	1,827

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GHG emissions can be classified into three scopes:

Scope1: Direct GHG emissions from operations that are owned or controlled by the Group including fuel consumption of motor vehicles controlled by the Group.

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

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

* The emission factor is sourced from the North China Grid and Southern China Power Grid in 2019. The figures are calculated in accordance with the "Reporting Guidance on Environmental KPIs".

Production of waste

Solid waste of the Group is mainly produced in the daily operation of the offices, including daily paper consumption, office paper waste and food waste made by employees. The paper consumption of this year was 700 kg in total (2019: 1,010 kg). All domestic waste is collected and disposed by the property management office of the office building on a regular basis. No hazardous wastes are generated in the operations of the offices.

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste produced from operation

Environmental Indicators	Unit	2020	2019
Hazardous waste produced*	Kg	N/A	N/A
Hazardous waste produced intensity	Kg per employee	N/A	N/A
Non-hazardous waste produced#	Kg	N/A	N/A
Non-hazardous waste produced intensity	Kg per employee	N/A	N/A

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

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

USE OF RESOURCES

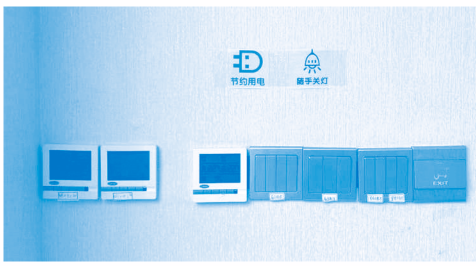
The Group has always been promoting sustainability by assuming the social responsibility of environmental protection in the course of business and, on the premise of minimizing the impact on the environment, creating unlimited possibilities with limited resources. In this regard, the Group attaches great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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Below are measures taken by the Group in saving energy:

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



Signs for reminding staff to save energy

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of resources from operation

Environmental Indicators	Unit	2020	2019
Energy Consumption			
Units of purchased electricity consumed	kWh	67,699	121,480
Units of purchased petrol consumed	kWh	67,116	110,277
Total energy consumption	kWh	134,815	231,757
Total energy consumption intensity	kWh per employee	2,809	1,797
Water Consumption			
Water consumption	M^3	826	1,584
Water consumption intensity	M^3 per employee	18	13
Packaging Material Consumption*			
Packaging material used for finished products	Kg	N/A	N/A
Packaging material used intensity	Kg per piece	N/A	N/A

* As the Group is principally engaged in provision of finance lease services and factoring and advisory services, no packaging material was consumed during the Reporting Period.

THE ENVIRONMENT AND NATURAL RESOURCES

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

SOCIAL

Employment and Labour Practices

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Goal

To attract, train, motivate and retain suitable talents.

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

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

Employment

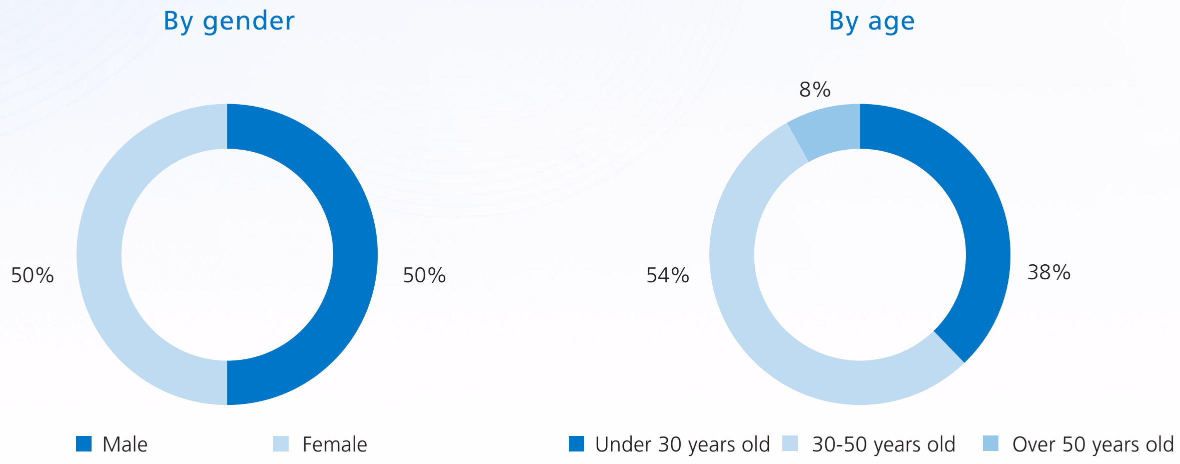
The human resources policies of the Group strictly comply with the applicable labour laws and regulations of the PRC, including the PRC Labour Law, the PRC Labour Contract Law and the Social Insurance Law of the PRC, to protect its employees' interests. The asset management department of the Group has also engaged qualified lawyers in the PRC to closely monitor updates of the laws and relevant regulatory requirements to ensure its compliance with relevant regulations.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee structure

As at 31 December 2020, the Group had a total of 48 employees (2019: 129 employees), with the employee structure as follows:



Turnover rate by gender:	Turnover rate (Note 1)
Gender	
Male	200%
Female	146%

Turnover rate by age:	
Age	
Under 30 years old	250%
30-50 years old	143%
Over 50 years old	25%

Note 1: The employee turnover rate is calculated based on the number of employees who left employment in each category divided by the number of employees in that category at the end of 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To Attract and Retain Talents

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

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

Benefits and Vacation

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

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

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

Inclusion

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

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

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

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


Fire safety equipment in the workplace

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

Development and Training

The Group always puts great emphasis on talent training and believes that employees' skills and experience are essential to promoting the long-term development of the Group. Continuing education is one of the effective ways to maintain employees' competitiveness in the industry. Therefore, the Group annually formulates annual training plan with an aim to enhance employees' performance through effective training, counselling and in-service development. Total training hours were 94 (2019: 1,530), and the average training hours for each male and female employee were 1.8 (2019: 1.4) and 2.1 (2019: 1.9) respectively. The trainings cover various topics, including but is not limited to, factoring business knowledge, asset management, business process, qualification training for secretaries of the board of listed issuers and internal control training for new employees.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Group endeavours to protect human rights, creating a workplace of respect, sincerity and fairness for its employees and customers, and comply with all relevant laws and regulations in relation to employment and labour that have a significant impact on the Group including the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). The Group did not record any major non-compliance during the Reporting Period. No non-compliance with law that resulted in significant fines or sanctions had been reported in 2020.

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

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

Operational Practices

Supply Chain Management

Objectives

– To purchase goods from creditworthy suppliers and ensure such suppliers provide good products that meet the standards of the Group

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

Objectives

– To protect customers' information

– To keep customers free of worries

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

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

- employees must have a sense of confidentiality and definitely do not ask, say or look at anything that they should not;

- talking about or transmitting the Company's confidential matters in public places, via public telephones or public network platforms is strictly prohibited;

- without the consent of the meeting organizers, employees may not take photos, record or reproduce the confidential matters, and strict punishment will be imposed once discovered;

- may not throw away drafts, first drafts or outdated documents at discretion. If there is no retention value, such documents should be destroyed in a timely manner. Such documents should be treated as final drafts and be handled according to confidentiality principles and requirements; and

- documents containing sensitive information of the customers or the Company should be kept by specified personnel of each department. Unless necessary, such information should not be transmitted to other departments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Anti-Corruption

Objectives

– No bribery, extortion and fraud

– Anti-corruption and anti-money laundering

All the businesses operated by the Group are in compliance with the national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering, including the Prevention of Bribery Ordinance, the SFO of Hong Kong and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC. The Group requires its employees to strictly follow the requirements of the aforesaid ordinances, in order to prevent behaviours such as bribery, extortion, fraud and money laundering.

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

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

The Group is not aware of any material non-compliance with the Anti-Unfair Competition Law of the PRC and other applicable laws and regulations that has a significant impact on the issuer relating to bribery, extortion, fraud and money laundering during the Reporting Period. There was no legal action against the Group or the employees of the Group for corruption.

Community Investment

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure		
Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental	
A2.1 Direct and/or indirect energy consumption by type	Use of resources	
A2.2 Water consumption in total and intensity	Use of resources	As the office building of the Group located in Room 1208, Tower 1, The Exchange Mall, Heping District, Tianjin does not charge any water charges, Tianjin Fuyin and Fullin Factoring are unable to calculate its water consumption. Therefore, it is unable to disclose the relevant data.
A2.3 Description of energy use efficiency initiatives and results achieved	Use of resources	
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of resources	
A2.5 Total packaging material used for finished products	Use of resources	As a provider of finance lease services and factoring and advisory services, the Group does not provide any tangible products.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Environmental	
Policies on minimising the issuer's significant impact on the environment and natural resources.		
A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Use of resources	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B1: Employment		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	
B1.1 Total workforce by gender, employment type, age group and geographical region	Employment	
B1.2 Employee turnover rate by gender, age group and geographical region	Employment	
Aspect B2: Health and Safety		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety	
B2.1 Number and rate of work-related fatalities	Not applicable	
B2.2 Lost days due to work injury	Not applicable	
B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and safety	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B3: Development and Training		
General Disclosure	Development and training	
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
B3.1 The percentage of employees trained by gender and categorization of employees	Development and training	
B3.2 The average training hours completed per employee by gender and categorization of employees	Development and training	
Aspect B4: Labor Standards		
General Disclosure	Labor standards	
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		
B4.1 Description of measures to review employment practices to avoid child and forced labor	Labor standards	
B4.2 Description of steps taken to eliminate such practices when discovered	Labor standards	
Aspect B5: Supply Chain Management		
General Disclosure	Supply chain management	
Policies on managing environmental and social risks of the supply chain.		
B5.1 Number of suppliers by geographical region	Not applicable	
B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply chain management	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B6: Product Responsibility		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product liability	As a provider of finance services, the Group was not involved in health and safety and labelling issues. In addition, the Group did not place any advertisement during the reporting year.
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable	As a provider of finance services, the Group was not involved in any recall procedures therefore, such indicator is not applicable.
B6.2 Number of products and service related complaints received and how they are dealt with	No disclosure is required	
B6.3 Description of practices relating to observing and protecting intellectual property rights	Not applicable	As a provider of finance services, the Group was not involved in any intellectual property rights. Therefore, such indicator is not applicable.
B6.4 Description of quality assurance process and recall procedures	Not applicable	As a provider of finance services, the Group was not involved in any assurance process and recall procedures. Therefore, such indicator is not applicable.
B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	Product liability	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Key performance indicators (KPIs)	Disclosures	Remarks
B. Social		
Aspect B7: Anti-corruption		
General Disclosure	Anti-corruption	
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
B.7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Not applicable	During the Reporting Period, there was no legal action against the Group and the employees of the Group for corruption.
B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	
Aspect B8: Community Investment		
General Disclosure	Community investment	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
B8.1 Focus areas of contribution	No disclosure is required	
B8.2 Resources contributed to the focus area	No disclosure is required	

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of FY Financial (Shenzhen) Co., Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 90 to 176, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance (Cap 622).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Allowance for impairment of accounts receivable

The Group's accounts receivable consists of lease receivables, receivables from sale-leaseback transactions, factoring receivables and trade receivables, and accounted for 75.1% of the Group's total assets. The assessment of impairment of accounts receivable under the expected loss model is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group assesses the expected credit loss ("**ECL**") according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The disclosures of the allowance for impairment of accounts receivable and the related credit risk are included in notes 16 and 37(a) to the consolidated financial statements.

Our response:

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

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Revenue	7	103,844,218	152,630,695
Direct costs		(34,671,006)	(43,281,695)
Gross profit		69,173,212	109,349,000
Other income and gains	7	5,209,111	1,441,091
Operating expenses		(13,148,592)	(23,693,506)
Administrative expenses		(33,568,155)	(34,784,899)
Impairment loss on accounts receivable, net		(21,756,911)	(3,595,525)
Profit before income tax	8	5,908,665	48,716,161
Income tax expense	9	(2,669,710)	(12,654,960)
Profit and total comprehensive income for the year		3,238,955	36,061,201
Earnings per share:	10		
Basic and Diluted		0.01	0.10

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**822,336**	1,618,388
Intangible asset	15	**2,389,497**	—
Accounts receivable	16	**241,275,776**	409,797,278
Right-of-use assets	26	**4,688,100**	4,304,207
Restricted bank deposits	19	**—**	6,517,683
Deferred tax assets	17	**12,604,642**	8,607,450
		261,780,351	430,845,006
Current assets			
Accounts receivable	16	**445,088,241**	818,838,807
Bills receivable		**537,406**	100,000
Prepayments, deposits and other receivables	18	**4,627,346**	38,851,873
Restricted bank deposits	19	**60,000,000**	96,509,000
Cash and cash equivalents	20	**142,021,437**	20,427,118
		652,274,430	974,726,798
Current liabilities			
Other payables and accruals	21	**52,364,641**	99,756,605
Receipts in advance	22	**481,997**	3,110,271
Amount due to an intermediate holding company	31(b)	**—**	193,000,000
Derivative financial liabilities	25	**—**	5,768,142
Lease liabilities	26	**1,959,622**	2,542,106
Tax payables		**3,455,464**	4,214,192
Interest-bearing bank and other borrowings	23	**315,694,658**	476,145,247
		373,956,382	784,536,563
Net current assets		**278,318,048**	190,190,235
Total assets less current liabilities		**540,098,399**	621,035,241

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
Non-current liabilities			
Receipts in advance	22	**1,184,565**	2,068,387
Deposits from finance lease customers and suppliers	24	**70,957,529**	101,045,380
Lease liabilities	26	**2,746,584**	1,874,648
Interest-bearing bank and other borrowings	23	**5,945,152**	42,054,212
		80,833,830	147,042,627
Net assets		**459,264,569**	473,992,614
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**359,340,000**	359,340,000
Reserves	30	**99,924,569**	114,652,614
Total equity		**459,264,569**	473,992,614

On behalf of directors

LI Peng（李鵬）

WENG Jianxing（翁建興）

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital RMB	Merger reserve (note 1) RMB (note 30(a))	Capital reserve (note 1) RMB (note 30(b))	Statutory reserve (note 1) RMB (note 30(c))	Retained profits (note 1) RMB	Total equity RMB
At 31 December 2018 and 1 January 2019	359,340,000	1,582,035	31,096,839	9,469,747	54,409,792	455,898,413
Profit and total comprehensive income for the year	—	—	—	—	36,061,201	36,061,201
Appropriation to statutory reserve	—	—	—	3,477,252	(3,477,252)	—
Dividends paid	—	—	—	—	(17,967,000)	(17,967,000)
At 31 December 2019 and 1 January 2020	359,340,000	1,582,035	31,096,839	12,946,999	69,026,741	473,992,614
Profit and total comprehensive income for the year	—	—	—	—	3,238,955	3,238,955
Appropriation to statutory reserve	—	—	—	391,879	(391,879)	—
Dividends paid (Note 11)	—	—	—	—	(17,967,000)	(17,967,000)
At 31 December 2020	359,340,000	1,582,035	31,096,839	13,338,878	53,906,817	459,264,569

Note 1: The aggregate balance of these reserves amounting of RMB99,924,569 (2019: RMB114,652,614) is included as reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Cash flows from operating activities			
Profit before income tax		5,908,665	48,716,161
Adjustments for:			
Bank interest income		(2,475,198)	(1,817,469)
Depreciation of plant and equipment		581,846	690,783
Depreciation of right-of-use assets		1,209,354	2,291,141
Amortisation of intangible asset		144,210	—
Fair value loss in derivative financial liabilities		4,692,248	5,768,142
Impairment losses on accounts receivable, net		21,756,911	3,595,525
Interest expenses on lease liabilities		97,833	216,913
Gain on modification of leases		(105,379)	—
Loss on disposal of plant and equipment		42,561	657
Operating profits before working capital changes		31,853,051	59,461,853
Decrease in inventory		—	530,172
Decrease in accounts receivable		520,515,157	39,481,314
Decrease/(increase) in prepayments, deposits and other receivables		35,394,857	(2,872,466)
Increase in bills receivable		(437,406)	(100,000)
Decrease in bills payable		—	(2,051,000)
(Decrease)/increase in other payables and accruals		(47,391,964)	24,254,787
Decrease in receipts in advance		(3,512,096)	(2,069,049)
Decrease in deposits from finance lease customers and suppliers (non-current portion)		(30,087,851)	(17,281,686)
Cash generated from operating activities		506,333,748	99,353,925
Interest received		1,304,868	360,755
Income tax paid		(7,425,630)	(13,671,980)
Net cash generated from operating activities		500,212,986	86,042,700
Cash flows from investing activities			
Purchases of plant and equipment		—	(680,148)
Purchases of intangible asset		(2,533,707)	—
Proceeds from disposal of plant and equipment		171,645	—
Release of structured bank deposit		—	60,000,000
Increase in restricted bank deposits		—	(80,796,337)
Release of restricted bank deposits		43,026,683	—
Net cash generated from/(used in) investing activities		40,664,621	(21,476,485)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Cash flows from financing activities			
Decrease in amount due to an intermediate holding company		**(193,000,000)**	(43,000,000)
Interest elements of lease rentals paid		**(97,833)**	(216,913)
Capital elements of lease rentals paid		**(1,198,416)**	(2,178,594)
Payment of settlement for derivative financial liabilities		**(10,460,390)**	(326,557)
Proceeds from interest-bearing bank and other borrowings		**352,753,931**	361,889,708
Repayment of interest-bearing bank and other borrowings		**(549,313,580)**	(415,017,574)
Dividends paid		**(17,967,000)**	(17,967,000)
Net cash used in financing activities	32	**(419,283,288)**	(116,816,930)
Net increase/(decrease) in cash and cash equivalents		**121,594,319**	(52,250,715)
Cash and cash equivalents at beginning of year		**20,427,118**	72,677,833
Cash and cash equivalents at end of year		**142,021,437**	20,427,118
Analysis of cash and cash equivalents:			
Cash at banks and in hand		**142,021,437**	20,427,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

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

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

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2020

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

None of these new or amended HKFRSs has a material impact on the Company's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2020 *(Continued)*

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(Continued)

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[2]
Amendments to HKFRS 16	Covid-19 Related Rent Concession[1]
Annual Improvements to HKFRSs 2018-2020[3]	

1 Effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including financial statements not yet authorised for issue at 4 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

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

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

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

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

Amendments to HKAS 16, Proceeds before Intended Use

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3, Reference to the Conceptual Framework

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

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

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

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

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

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

HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

Amendment to HKFRS 16, Covid-19 – Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

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

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

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

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession. Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has not elected to utilise the practical expedient for all rent concessions that meet the criteria.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(a) Basis of consolidation *(Continued)*

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

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

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

(b) Subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(c) Plant and equipment

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

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

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

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

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

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

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

(d) Intangible assets

(i) Intangible assets acquired separately

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

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

Computer Software	10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(d) Intangible assets *(Continued)*

(ii) Impairment of intangible assets

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

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

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

(e) Leasing

The Group as a lessee

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

Right-of-use asset

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(e) Leasing *(Continued)*

The Group as a lessee *(Continued)*

Lease liability

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

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

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

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(e) Leasing *(Continued)*

The Group as a lessor

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

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

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

Sale and leaseback transactions

As a buyer-lessor, the Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transactions constitutes a sale, upon application of HKFRS16. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds within the scope of HKFRS 9.

Refundable rental deposits

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

(f) Financial instruments

(i) Financial assets

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

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

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

Debt instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

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

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

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

(ii) Impairment loss on financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

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

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

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

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

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

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

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

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

(iii) Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including bills payable, other payables and accrual, borrowings and amount due to an intermediate holding company are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(f) Financial instruments *(Continued)*

(vi) Derecognition

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

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

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

(g) Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(g) Revenue recognition *(Continued)*

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

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

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

(iii) Other income

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

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

Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(h) Borrowing costs

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

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

(i) Cash and cash equivalents

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

(j) Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(k) Foreign currency

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

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

(l) Employee benefits

(i) Retirement benefit costs

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

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

(ii) Short-term employee benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(m) Impairment of non-financial assets

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

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

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

(n) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(o) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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

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

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

Provision for impairment loss for accounts receivable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

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

- Classification between finance leasing and operating leasing as a lessor

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION

(a) Reportable segments

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

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

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

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

	Financial and advisory business		Trading operation business		Total	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Revenue from external customers	86,335,947	134,326,826	17,508,271	18,303,869	103,844,218	152,630,695
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	86,335,947	134,326,826	17,508,271	18,303,869	103,844,218	152,630,695
Reportable segment profit/(loss)	6,477,393	48,827,003	(568,728)	(110,842)	5,908,665	48,716,161
Interest revenue	2,471,974	1,811,467	3,224	6,002	2,475,198	1,817,469
Interest expense	17,604,385	27,261,698	—	—	17,604,385	27,261,698
Depreciation of plant and equipment	577,093	684,300	4,753	6,483	581,846	690,783
Depreciation of right-of-use assets	995,769	2,291,141	213,585	—	1,209,354	2,291,141
Amortisation of intangible assets	144,210	—	—	—	144,210	—
Provision for/(reversal of) Impairment loss on accounts receivable, net	21,833,968	3,288,369	(77,057)	307,156	21,756,911	3,595,525
Income tax expense/(credit)	2,034,005	12,759,181	635,705	(104,221)	2,669,710	12,654,960
Reportable segment assets	821,507,896	1,259,961,173	32,546,885	42,575,147	854,054,781	1,302,526,320
Reportable segment liabilities	453,452,555	921,408,902	1,337,657	10,161,487	454,790,212	931,570,389
Additions to non-current assets	4,953,053	4,772,530	2,012,655	8,954	6,965,708	4,781,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(Continued)*

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

	2020 RMB	2019 RMB
Profit before income tax expense		
Reportable segment profit	**5,908,665**	48,716,161
Consolidated profit before income tax expense	**5,908,665**	48,716,161

	2020 RMB	2019 RMB
Assets		
Reportable segment assets	**854,054,781**	1,302,536,320
Unallocated corporate assets	**60,000,000**	103,026,683
Consolidated total assets	**914,054,781**	1,405,563,003

	2020 RMB	2019 RMB
Liabilities		
Reportable segment liabilities	**454,790,212**	931,570,389
Consolidated total liabilities	**454,790,212**	931,570,389

(c) Geographic information

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

(d) Information about major customers

No customer contributed revenue, representing 10% or more of the Group's revenue (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. REVENUE AND OTHER INCOME AND GAINS AND LOSSES

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

	2020 RMB	2019 RMB
Revenue		
Finance lease income	**24,933,317**	59,694,359
Income from sale-leaseback transactions	**33,374,523**	18,785,119
Factoring income	**21,912,159**	27,089,973
Advisory service fee income	**6,115,948**	27,775,290
Sale of goods	**17,508,271**	18,303,869
Commission income	**—**	982,085
	103,844,218	152,630,695

	2020 RMB	2019 RMB
Other income and gains/(losses)		
Bank interest income	**2,475,198**	1,817,469
Recharge of insurance premium (note (a))	**138,691**	1,143,197
Change in fair value of derivative financial liabilities	**(4,692,248)**	(5,768,142)
Government grant (note (b))	**1,023,226**	—
Loss on disposal of plant and equipment	**(42,561)**	(657)
Maintenance service income	**2,070,755**	860,849
Imputed interest income on trade receivables	**1,099,120**	1,147,783
Penalty charged to customers	**1,472,735**	1,399,060
Gain on modification of leases	**105,379**	—
Others	**1,558,816**	841,532
	5,209,111	1,441,091

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

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

	2020 RMB	2019 RMB
Type of services		
Provision of advisory services and customer referral	**6,115,948**	28,757,375
Sale of goods	**17,508,271**	18,303,869
Total revenue recognised from contract with customers	**23,624,219**	47,061,244
Customers by industries		
Transportation	**636,249**	2,730,652
Medical	**17,545,864**	20,905,242
Electronics	**975,782**	7,045,876
Fast-moving consumer goods	**2,920,142**	6,846,082
Alternative energy	**59,027**	504,227
Machining	**1,482,521**	7,138,094
Others	**4,634**	1,891,071
	23,624,219	47,061,244

The following table provides information about contract liabilities from contracts with customers:

	2020 RMB	2019 RMB
Contract liabilities	**—**	9,900,000

The contract liabilities which included in other payables and accruals (note 21) primarily relate to the advance consideration received from customers for the sale of medical equipment, for which revenue is recognised at point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020 RMB	2019 RMB
Auditors' remuneration (note i)	**937,254**	1,035,715
Cost of borrowing included in cost of sales:	**18,665,572**	27,921,266
– Interest expenses on interest-bearing bank and other borrowings (note iii)	**15,547,570**	19,749,758
– Interest expenses on lease liabilities (note iii)	**97,833**	216,913
– Bank charges and other expenses	**1,061,187**	659,568
– Interest charge on amount due to an intermediate holding company (note iii)	**1,958,982**	7,295,027
Cost of inventories sold	**16,005,434**	15,360,429
Depreciation of plant and equipment (note ii)	**581,846**	690,783
Depreciation of right-of-use assets (note ii)	**1,209,354**	2,291,141
Amortisation of intangible assets	**144,210**	—
Expenses relating to short-term leases (note v)	**728,235**	172,110
Impairment loss on accounts receivable, net (note iv)	**21,756,911**	3,595,525
Bad debt written off	**391,607**	1,588,567
Exchange (gains)/losses	**(74,118)**	537,295
Loss on disposal of plant and equipment	**42,561**	657
Gain on modification of leases	**105,379**	—
Employee benefit expenses	**24,502,471**	36,745,191

(i) Auditors' remuneration for the years ended 31 December 2020 and 2019 was related to the fees for statutory audit services paid to the auditors of respective group companies.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. INCOME TAX EXPENSE

	2020 RMB	2019 RMB
Income tax		
– Current year	**6,050,462**	14,543,070
– (Over)/under provision in prior years	**616,440**	(171,523)
Deferred tax (note 17)		
– Credited for the year	**(3,997,192)**	(1,716,587)
Income tax expense	**2,669,710**	12,654,960

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

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

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

	2020 RMB	2019 RMB
Profit before income tax	**5,908,665**	48,716,161
Tax on profit before income tax, calculated at 25%	**1,477,166**	12,179,040
Tax effect of expenses not deductible for tax purposes	**58,539**	—
Tax effect of tax losses and other temporary difference not recognised	**517,565**	696,522
Utilisation of tax losses previously not recognised	**—**	(49,079)
Under/(over) provision in respect of prior years	**616,440**	(171,523)
Income tax expense	**2,669,710**	12,654,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the year of RMB3,238,955 (2019: RMB36,061,201) and the weighted average of 359,340,000 shares (2019: 359,340,000 shares) in issue during the year ended 31 December 2020.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2020 and 2019, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

On 27 March 2020, the Board recommended to distribute the final dividend of RMB0.05 per share for the shareholders whose names appear on the register of members of H Shares on 2 June 2020. Total final dividend of RMB17,967,000 was paid to the shareholders on July 2020.

After the reporting date, the Board recommend the payment of the final dividend of RMB0.003 per share (tax inclusive) in respect of the year ended 31 December 2020 (2019: RMB0.05).The dividends have not been recognised as liabilities and there are no tax consequence.

12. EMPLOYEE BENEFIT EXPENSES

	2020 **RMB**	2019 RMB
Staff costs (including directors' emoluments (note 13(a))) comprise:		
Salaries, allowances and benefits in kind	**20,314,813**	27,704,097
Discretionary bonuses	**2,630,611**	3,673,913
Contributions to defined contribution retirement plan	**1,557,047**	5,367,181
	24,502,471	36,745,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(a) Directors' emoluments

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

Year ended 31 December 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2019

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	432,050	168,561	67,737	668,348
Mr. Weng Jianxing	—	483,930	129,600	68,913	682,443
Ms. Wang Ying	—	412,550	81,000	52,842	546,392
Non-executive directors					
Mr. Zhuang Wei	—	—	—	—	—
Ms. Hui Ying	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Sun Luran	—	—	—	—	—
Independent non-executive directors					
Mr. Fung Che Wei, Anthony	105,944	—	—	—	105,944
Mr. Liu Shengwen	105,944	—	—	—	105,944
Mr. Hon Leung	105,944	—	—	—	105,944
Total	317,832	1,328,530	379,161	189,492	2,215,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(Continued)

(b) Supervisors' emoluments

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

Year ended 31 December 2020

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Mr. Liu Bing	—	450,037	—	33,838	483,875
Mr. Tian Xiuju	—	197,446	—	13,512	210,958
Mr. Zhu Xiaodong	—	—	—	—	—
Total	—	647,483	—	47,350	694,883

Year ended 31 December 2019

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Mr. Liu Bing	—	465,879	131,100	65,779	662,758
Mr. Tian Xiuju	—	189,769	45,000	26,991	261,760
Mr. Zhu Xiaodong	—	—	—	—	—
Total	—	655,648	176,100	92,770	924,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

(Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 included 2 (2019: 2) directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2019: 3) individuals for the years ended 31 December 2020 and 2019 respectively are as follows:

	2020 RMB	2019 RMB
Salaries, allowances and benefits in kind	**1,379,294**	1,330,079
Discretionary bonuses	**—**	495,100
Contribution to defined contribution retirement plan	**132,559**	261,792
	1,511,853	2,086,971

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

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

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

	2020 Number of individual	2019 Number of individual
Nil to HK$1,000,000	**3**	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. PLANT AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
Cost				
At 1 January 2019	1,957,215	715,176	687,105	3,359,496
Additions	405,392	—	274,756	680,148
Disposals	(9,541)	—	—	(9,541)
At 31 December 2019 and 1 January 2020	**2,353,066**	**715,176**	**961,861**	**4,030,103**
Additions	—	—	—	—
Disposals	**(437,130)**	**(359,176)**	—	**(796,306)**
At 31 December 2020	**1,915,936**	**356,000**	**961,861**	**3,233,797**
Accumulated depreciation				
At 1 January 2019	948,061	480,429	301,326	1,729,816
Charge for the year	251,182	86,714	352,887	690,783
Disposals	(8,884)	—	—	(8,884)
At 31 December 2019 and 1 January 2020	**1,190,359**	**567,143**	**654,213**	**2,411,715**
Charge for the year	**216,518**	**57,680**	**307,648**	**581,846**
Disposals	**(295,400)**	**(286,700)**	—	**(582,100)**
At 31 December 2020	**1,111,477**	**338,123**	**961,861**	**2,411,461**
Net carrying value				
At 31 December 2020	**804,459**	**17,877**	—	**822,336**
At 31 December 2019	1,162,707	148,033	307,648	1,618,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. INTANGIBLE ASSET

	Computer software RMB
Cost	
At 1 January 2019, 31 December 2019 and 1 January 2020	—
Additions	2,533,707
At 31 December 2020	**2,533,707**
Accumulated depreciation	
At 1 January 2019, 31 December 2019 and 1 January 2020	—
Charge for the year	144,210
At 31 December 2020	**144,210**
Net carrying value	
At 31 December 2020	**2,389,497**
At 31 December 2019	—

The Group's computer software with carrying amount of RMB2,389,497 (2019: Nil) will be fully amortised in 9 years (2019: Nil year).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE

	2020 RMB	2019 RMB
Finance lease receivables	**211,238,917**	640,542,643
Less: unearned finance income	**(14,709,778)**	(79,715,978)
Present value of minimum lease payment (note (a))	**196,529,139**	560,826,665
Receivables from sale-leaseback transactions (note (b))	**404,709,628**	414,079,676
Factoring receivables with recourse (note (c))	**122,303,846**	259,629,200
Trade receivables (note (d))	**13,239,973**	22,762,202
Subtotal of accounts receivable	**736,782,586**	1,257,297,743
Less: Provision for finance lease receivables (note (a))	**(29,558,615)**	(17,331,442)
Provision for receivables from sale-leaseback transaction (note (b))	**(7,507,260)**	(2,517,681)
Provision for factoring receivables (note (c))	**(12,927,175)**	(8,309,959)
Provision for trade receivables (note (d))	**(425,519)**	(502,576)
	686,364,017	1,228,636,085

Analysis for reporting purpose as:

	2020 RMB	2019 RMB
Current assets	**445,088,241**	818,838,807
Non-current assets	**241,275,776**	409,797,278
	686,364,017	1,228,636,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

As at 31 December 2020, included in accounts receivable amounted to RMB81,206,809 (2019: RMB45,564,564) were balances due from related companies with details as follows:

The Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Name of related parties	Notes	Amount outstanding At 1 January RMB	At 31 December RMB	Maximum amount outstanding during the year RMB
2019				
Longding Huayuan (note 1)	31(a)			
Factoring receivable		28,063,534	21,121,765	28,063,534
Less: Impairment allowance		(140,000)	(255,174)	
		27,923,534	20,866,591	
Shanghai Kuaijie [2]	31(a)			
Factoring receivable		—	15,000,000	15,167,917
Less: Impairment allowance		—	(181,216)	
		—	14,818,784	
Shanghai KYMS [3]	31(a)			
Factoring receivable		—	10,000,000	10,108,333
Less: Impairment allowance		—	(120,811)	
		—	9,879,189	

1 北京市龍鼎華源房地產開發有限責任公司 (Beijing City Longding Huayuan Property Development Co. Ltd.) ("**Longding Huayuan**") is a wholly-owned subsidiary of Beijing City Dayuan Tiandi Property Development Co., Ltd 北京市大苑天地房地產開發有限公司 ("**Dayuan Tiandi**"), which is one of the substantial shareholders of the Company.

2 上海快頡企業管理有限公司 (Shanghai Kuaijie Enterprise Management Co., Ltd.)("**Shanghai Kuaijie**") is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi Enterprise Management Co., Ltd 北京快易天地企業管理有限公司 ("**Beijing Kuaiyi Tiandi**"), which is owned as to 49% by Dayuan Tiandi which is one of the substantial shareholders of the Company.

3 上海快易名商云科技股份有限公司, formerly known as 上海快易名商企業發展股份有限公司 (Shanghai KYMS Enterprise Development Co., Ltd ("**Shanghai KYMS**"), formerly known as "Shanghai Kuaiyi Mingshang Enterprise Development Co.,Ltd" ("**Shanghai Kuaiyi Mingshang**")) is a joint venture partner of Beijing Kuaiyi Tiandi, which is owned as to 49% by Dayuan Tiandi which is one of the substantial shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes:

(a) The effective interest rates of the above finance lease ranged mainly from 0.69% to 19.25% per annum as at 31 December 2020 (2019: 0.69% to 19.25% per annum).

The ageing analysis of finance lease receivables, determined based on the schedule to repay of the receivables since the effective dates of the relevant lease contracts, as at the end of reporting period, is as follows:

	2020 RMB	2019 RMB
Finance lease receivables:		
Current	170,390,835	492,315,260
Non-current	40,848,082	148,227,383
	211,238,917	640,542,643
Present value of minimum lease payments:		
Current	157,058,262	429,689,480
Non-current	39,470,877	131,137,185
	196,529,139	560,826,665

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is overdue for more than 30 days, the entire outstanding balance of the finance lease receivables is classified as overdue. If the instalment repayment is overdue within 30 days, only the balance of this instalment is classified as overdue.

	2020 RMB	2019 RMB
Neither overdue nor credit-impaired	129,417,526	468,012,796
Overdue but not credit-impaired		
– Overdue within 30 days	2,572,264	16,430,607
– Overdue 30 to 90 days	3,657,654	1,426,897
– Overdue 90 days to 180 days	1,248,358	21,494,767
	7,478,276	39,352,271
Overdue and credit impaired		
– Overdue over 180 days	59,633,337	53,461,598
Carrying amount of finance lease receivables	196,529,139	560,826,665
Allowance for impairment losses	(29,558,615)	(17,331,442)
Net amount of finance lease receivables	166,970,524	543,495,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

Movements of the provision for impairment loss on finance lease receivables are as follows:

	2020 RMB	2019 RMB
At beginning of year	**17,331,442**	19,214,264
Impairment loss/(recovery) recognised for the year (notes)	**12,227,173**	(1,882,822)
At end of year	**29,558,615**	17,331,442

Notes:

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for finance lease receivables. The changes in the loss allowance was mainly due to the additional of loss allowance on finance lease contracts at the reporting date under the expected credit loss model.

As part of its normal business, the Group entered into a finance lease receivable factoring arrangement (the "**Arrangement**") and transferred certain finance lease receivables to an independent third party and a state-owned commercial bank in the PRC (the "**Factors**") during the years ended 31 December 2019 and 2020 respectively. Under the Arrangement, the Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to 1 day. Since the Group has retained substantial risks and rewards relating to the accounts receivable including default risks, the accounts receivable are regarded as transferred financial assets that should not be derecognised.

The following table provide a summary of carrying amounts related to transferred financial assets at amortised cost that are not derecognised in their entirety and the associated liabilities:

	2020 RMB	2019 RMB
Carrying amount of assets (note 23(b))	**80,090,167**	187,811,970
Carrying amount of associated liabilities (note 23(b))	**59,199,817**	72,921,646
Net position	**20,890,350**	114,890,324

The carrying amount of the transferred assets at amortised cost and associated liabilities are approximated to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) The effective interest rates of the receivables from sale-leaseback transactions ranged mainly from 6.83% to 26.91% per annum as at 31 December 2020 (2019: 6.83% to 26.91% per annum).

The following is an ageing analysis based on the schedule to repay of the receivables since the effective date of the relevant sale-leaseback contracts, as at the end of the reporting period.

	2020 RMB	2019 RMB
Current	**226,029,502**	215,429,114
Non-current	**178,680,126**	198,650,562
	404,709,628	414,079,676

Notes:

Upon application of HKFRS 16, the Group, acts as a buyer-lessor does not recognise the transferred asset if the sale-leaseback transaction does not satisfy the requirements of HKFRS 15 as a sale but accounted for as financing arrangement under HKFRS 9.

The loss allowance was measured at an amount equal to 12 month and lifetime expected credit losses under the general approach for receivables from sale-leaseback transaction. The changes in the loss allowance was mainly due to the additional of loss allowance on receivables from sale-leaseback transactions at the reporting date under the expected credit loss model.

The following is a credit quality analysis of receivables from sale-leaseback transaction. In the event that an instalment repayment of a receivable from sale-leaseback transaction is overdue, the entire outstanding balance of the receivables from sale-leaseback transaction is classified as overdue.

	2020 RMB	2019 RMB
Neither overdue nor credit-impaired	**358,138,084**	401,171,917
Overdue but not credit-impaired		
– Overdue within 30 days	**22,568,922**	11,569,041
– Overdue 30 to 90 days	**769,731**	1,338,718
– Overdue 90 days to 180 days	**6,263,009**	—
	29,601,662	12,907,759
Overdue and credit impaired		
– Overdue over 180 days	**16,969,882**	—
Carrying amount of receivables from sale-leaseback transaction	**404,709,628**	414,079,676
Allowance for impairment losses	**(7,507,260)**	(2,517,681)
Net amount of receivables from sale-leaseback transaction	**397,202,368**	411,561,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) (Continued)

Movements of the provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	2020 RMB	2019 RMB
At beginning of year	2,517,681	—
Impairment loss recognised for the year	4,989,579	2,517,681
At end of year	7,507,260	2,517,681

Provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	As at 31 December 2020			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of receivables from sale-leaseback transaction	381,476,737	6,263,009	16,969,882	404,709,628
Less: Allowances for impairment losses	(4,427,955)	(557,206)	(2,522,099)	(7,507,260)
Net amount of receivables from sale-leaseback transaction	377,048,782	5,705,803	14,447,783	397,202,368

	As at 31 December 2019			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of receivables from sale-leaseback transaction	414,079,676	—	—	414,079,676
Less: Allowances for impairment losses	(2,517,681)	—	—	(2,517,681)
Net amount of receivables from sale-leaseback transaction	411,561,995	—	—	411,561,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

Movements of the provision for impairment loss on receivables from sale-leaseback transaction are as follows:

	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit \impaired RMB	Total RMB
Balance as at 1 January 2019	—	—	—	—
New financial assets originated	2,517,681	—	—	2,517,681
Balance as at 31 December 2019 and 1 January 2020	**2,517,681**	**—**	**—**	**2,517,681**
Transfer to lifetime ECL not credit-impaired/credit-impaired	**(173,875)**	**54,147**	**119,728**	**—**
Net remeasurement of loss allowance	**(1,449)**	**503,059**	**2,402,371**	**2,903,981**
New financial assets originated	**2,336,960**	**—**	**—**	**2,336,960**
Recoveries of amounts previously written off	**(251,362)**	**—**	**—**	**(251,362)**
Balance as at 31 December 2020	**4,427,955**	**557,206**	**2,522,099**	**7,507,260**

(c) The ageing analysis of factoring receivables, as at the end of the reporting periods, based on the schedule to repay by customers is as follows:

	2020 RMB	2019 RMB
Current	**103,156,596**	188,094,555
Non-current	**19,147,250**	71,534,645
	122,303,846	259,629,200

The effective interest rates of the above factoring receivables ranged mainly from 8.36% to 15.00% per annum as at 31 December 2020 (2019: 8.36% to 15.00% per annum).

As at 31 December 2020, the Group hold collateral of the factoring receivables with a carrying amount of RMB485,834,956 (2019: RMB820,738,636) over the factoring receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

	2020 RMB	2019 RMB
Neither overdue nor credit-impaired	**62,378,376**	240,692,183
Overdue but not credit-impaired		
– Overdue within 30 days	**—**	10,559,337
– Overdue 90 days to 180 days	**26,980,626**	—
Overdue and credit impaired		
– Overdue over 180 days	**32,944,844**	8,377,680
Carrying amount of factoring receivables	**122,303,846**	259,629,200
Allowance for impairment losses	**(12,927,175)**	(8,309,959)
Net amount of factoring receivables	**109,376,671**	251,319,241

Provision for impairment loss on factoring receivables are as follows:

	As at 31 December 2020			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of factoring receivables	**62,378,376**	**26,980,626**	**32,944,844**	**122,303,846**
Less: Allowances for impairment losses	**(1,450,401)**	**(1,143,916)**	**(10,332,858)**	**(12,927,175)**
Net amount of factoring receivables	**60,927,975**	**25,836,710**	**22,611,986**	**109,376,671**

	As at 31 December 2019			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Gross carrying amount of factoring receivables	251,251,520	—	8,377,680	259,629,200
Less: Allowances for impairment losses	(2,979,587)	—	(5,330,372)	(8,309,959)
Net amount of factoring receivables	248,271,933	—	3,047,308	251,319,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) *(Continued)*

Movements of the provision for impairment loss on factoring receivables are as follows:

	As at 31 December 2019			
	12-month ECL RMB	Lifetime ECL not credit impaired RMB	Lifetime ECL credit impaired RMB	Total RMB
Balance as at 1 January 2019	1,241,106	—	4,415,343	5,656,449
Net remeasurement of loss allowance	68,318	—	915,029	983,347
New financial assets originated	1,670,163	—	—	1,670,163
Balance as at 31 December 2019 and 1 January 2020	2,979,587	—	5,330,372	8,309,959
Transfer to lifetime ECL not credit-impaired/ credit-impaired	(608,546)	319,963	288,583	—
Net remeasurement of loss allowance	(1,067,819)	823,953	4,713,903	4,470,037
New financial assets originated	147,179	—	—	147,179
Balance as at 31 December 2020	1,450,401	1,143,916	10,332,858	12,927,175

The change was mainly due to increase in loss allowance on factoring receivables that are increase in significant risk at the reporting date under the expected credit loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(d) The ageing analysis of trade receivables, as at the end of the reporting periods, based on the schedule to repay by customers is as follows:

	2020 RMB	2019 RMB
Current	**5,604,587**	10,849,013
Non-current	**7,635,386**	11,913,189
	13,239,973	22,762,202

The loss allowance was measured at an amount equal to lifetime expected credit losses under the simplified approach for trade receivables. The trade receivables were neither past due nor impaired.

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

	2020 RMB	2019 RMB
Neither overdue nor credit-impaired	**8,745,572**	22,762,202
Overdue but not credit-impaired		
Overdue within 30 days	**552,251**	—
Overdue 30 days to 90 days	**3,942,150**	—
	4,494,401	—
Carrying amount of trade receivables	**13,239,973**	22,762,202
Allowance for impairment losses	**(425,519)**	(502,576)
Net amount of trade receivables	**12,814,454**	22,259,626

Movements of the provision for impairment loss on trade receivables are as follows:

	2020 RMB	2019 RMB
At beginning of year	**502,576**	195,420
Impairment loss (recovery)/recognised for the year	**(77,057)**	307,156
At end of year	**425,519**	502,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements as follows:

	Allowance for impairment losses RMB	Others RMB	Total RMB
At 1 January 2019	6,222,016	668,847	6,890,863
Credited to profit or loss	943,399	773,188	1,716,587
At 31 December 2019 and 1 January 2020	7,165,415	1,442,035	8,607,450
Credited to profit or loss	5,439,227	(1,442,035)	3,997,192
At 31 December 2020	12,604,642	—	12,604,642

As at 31 December 2020, the Group had tax losses arising in the PRC of RMB596,076 (2019: RMB902,640) that will expire in years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax asset has been recognised for the above deductible temporary differences as it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB	2019 RMB
Prepayments	**1,497,793**	18,253,999
Value-added tax recoverable	**223,833**	17,308,209
Other deposits	**124,093**	204,680
Other receivables	**2,781,627**	3,084,985
	4,627,346	38,851,873

The directors of the Company considered the fair values of other receivables approximate to their fair values.

As at 31 December 2020, no prepayments for purchasing equipment from suppliers (2019: RMB15,500,000) in relation to sale of medical equipment conducted by the Group.

19. RESTRICTED BANK DEPOSITS

	2020 RMB	2019 RMB
Restricted bank deposits		
Current	**60,000,000**	96,509,000
Non-current	—	6,517,683
	60,000,000	103,026,683

As at 31 December 2020, the restricted bank deposits of RMB60,000,000 (2019: RMB103,026,683) are pledged as securities for bank borrowings of RMB57,078,375 (2019: RMB312,130,836). The Group's restricted bank deposits carry interest at prevailing market rates ranging is 2.50% per annum at 31 December 2020 (2019: 3.09% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. CASH AND CASH EQUIVALENTS

	2020 RMB	2019 RMB
Cash at bank and in hand	**142,021,437**	20,427,118

As at 31 December 2020, the Group has cash and bank balances denominated in RMB amounted to approximately RMB141,860,942 (2019: RMB20,254,625), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates and are deposited with creditworthy banks.

The directors of the Company considered that the fair values of the cash and cash equivalents are not materially different from their carrying amounts because of the short maturity period on their inception.

21. OTHER PAYABLES AND ACCRUALS

	2020 RMB	2019 RMB
Accruals	**2,132,764**	3,491,618
Contract liabilities	**—**	9,900,000
Deposits from finance lease customers (note 24)	**42,445,602**	76,092,131
Deposits from suppliers (note 24)	**2,493,963**	4,813,414
Other payables	**3,443,431**	2,959,293
Others	**1,848,881**	2,500,149
	52,364,641	99,756,605

As at 31 December 2020, other payables include payables to equipment suppliers of RMB383,000 (2019: RMB 2,395,500) in relation to certain finance lease arrangements conducted by the Group.

Others mainly include premium received from customers for insurance arrangement on behalf of customers and temporary receipts from customers.

Contract liabilities primarily relate to the advance consideration received from customers for the sale of medical equipment, for which revenue is recognised at point in time.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. RECEIPTS IN ADVANCE

	2020 RMB	2019 RMB
Current portion	**481,997**	3,110,271
Non-current portion	**1,184,565**	2,068,387
	1,666,562	5,178,658

Receipts in advance represent the advanced receipts on management fee of finance lease and factoring arrangements.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020 RMB	2019 RMB
Current liabilities		
Bank loans – secured and guaranteed (note (a) and (b))	**59,199,817**	72,921,646
Bank loans – guaranteed (note (b) and (c))	**199,416,466**	205,858,304
Bank loans – secured (note (b))	**57,078,375**	57,151,408
Other loan – guaranteed (note (d))	**—**	140,213,889
	315,694,658	476,145,247
Non-current liabilities		
Bank loan – secured and guaranteed (note (b))	**5,945,152**	42,054,212
	321,639,810	518,199,459

At the end of reporting period, total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	2020 RMB	2019 RMB
Within one year	**315,694,658**	460,397,562
More than one year, but not exceeding two years	**5,945,152**	54,188,909
More than two years, but not exceeding five years	**—**	3,612,988
	321,639,810	518,199,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) All of the facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions or independent third parties. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lenders the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations ("**repayment on demand clause**").

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank and other borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 37(b). As at 31 December 2020, none of the covenants relating to drawn down facilities had been breached (2019: nil).

(b) The Group's interest-bearing bank borrowings are secured and/or guaranteed by way of the following:

- Finance lease receivable with the carrying amount of RMB28,867,226 as at 31 December 2020 (2019: RMB136,736,380).

- Receivables from sale-leaseback transaction with the carrying amount of RMB51,222,941 as at 31 December 2020 (2019: RMB51,075,590).

- The Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB248,790,980 (2019: RMB636,669,400).

- Bank deposits of RMB60,000,000 (2019: RMB103,026,683).

As at 31 December 2020, the Group's bank loans amounted to RMB321,639,810 which carried at fixed rates (31 December 2019: RMB312,341,155).

The ranges of effective interest rates per annum of the fixed rate bank loans are as follows:

	2020 RMB	2019 RMB
Fixed rates bank loans	**4.50%–5.13%**	4.75%–5.13%

(c) As at 31 December 2020, the Group's current bank loan which was denominated in EUR with principal amount of (1) EUR Nil (31 December 2019: EUR12,550,345), interest bearing at EUR 3-month LIBOR+0.9% per annum, and (2) EUR Nil (31 December 2019: EUR13,800,000), interest bearing at 3-month LIBOR +0.7% per annum had been repaid in November 2020 and June 2020 respectively.

All the remaining bank loans are denominated in RMB.

Moreover, during the year, the floating rates bank loans are ranged from 0.7% to 0.9% (2019: 0.7 to 0.9%), since the latest EUR 3 months LIBOR is remain negative and hence the floating interest rate would only be 0.7% and 0.9% for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(d) Other loan represented a trust loan from a state-owned trust financing company in the PRC. The loan is unsecured, interest bearing at 5% and repayable within one year. The loan is guaranteed by the Company's intermediate holding company and had been repaid on 26 March 2020.

(e) As at 31 December 2020, the Group has obtained banking facilities of RMB487,000,000 (2019: RMB440,000,000) of which RMB152,746,685 (2019: RMB189,089,662) had been utilised by the Group. As at 31 December 2020, the Group has unutilised banking facilities of RMB334,253,315 (2019: RMB250,910,338) available for draw down.

As at 31 December 2020, the Group's banking facilities of RMB59,105,602 (2019: RMB72,921,646) were secured by the finance lease receivables and sale and leaseback receivables with the carrying amount of RMB80,090,167 (2019: RMB187,811,970).

The Directors estimate the fair value of the interest-bearing bank and other borrowings by discounting their future cash flows at the market rate and the directors consider that the carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values at each reporting date.

24. DEPOSITS FROM FINANCE LEASE CUSTOMERS AND SUPPLIERS

Deposits from customers and suppliers represent security pledged to the Group for the corresponding finance lease customers. The amount of customer's and supplier's deposits of which the finance leases are expected to be expired after twelve months from the end of reporting period is included under non-current liabilities. The balance on customer's and supplier's deposits of which the finance leases are expected to be expired within twelve months from the end of reporting period is included in "other payables and accruals" under current liabilities.

	2020 RMB	2019 RMB
Current liabilities		
Deposits from finance lease customers	**42,445,602**	76,092,131
Deposits from suppliers	**2,493,963**	4,813,414
	44,939,565	80,905,545
Non-current liabilities		
Deposits from finance lease customers	**67,003,259**	95,516,774
Deposits from suppliers	**3,954,270**	5,528,606
	70,957,529	101,045,380

As at 31 December 2020, RMB7,200,000 from finance lease customers from non-current liabilities (2019: nil) was trade balances due to related companies, Longding Huayuan, and no deposits from finance lease customers from current liabilities (2019: nil) was trade balances due to related companies, Shanghai Kuaijie and Shanghai KYMS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. DERIVATIVES FINANCIAL LIABILITIES

	2020 RMB	2019 RMB
Derivatives not under hedge accounting and designated at FVTPL:		
Cross currency swap contracts	—	5,768,142

During the year ended 31 December 2019, the Group entered into cross currency swap contracts had been matured from March 2020 to November 2020 which was used to manage the exposure to fluctuation in foreign exchange rate on Euro floating rate loans with principal amount of EUR26,350,345.

26. LEASES

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2020 RMB	1 January 2020 RMB
Properties leased for own use, carried at depreciated cost	**4,688,100**	4,304,207

During the year, additions to right-of-use assets were RMB4,432,001. This amount related to the capitalised lease payments payables under new tenancy agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. LEASES *(Continued)*

Lease Liabilities

	Buildings RMB
Balance as at 1 January 2019	2,494,013
Additions	4,101,335
Interest expense	216,913
Lease payments	(2,395,507)
Balance as at 31 December 2019 and 1 January 2020	4,416,754
Additions	4,432,001
Interest expense	97,833
Termination	(3,499,637)
Modification of lease (note)	555,504
Lease Payments	(1,296,249)
Balance as at 31 December 2020	4,706,206

Note:

During the year ended 31 December 2020, the Group had to close a number of its lease under the lockdown measures imposed by the government and the Group has received rent concessions in the form of rent forgiveness from lessors as the Group was unable to operate the lease for a short periods of time, such as reductions in rent contractually due under the terms of lease agreement from January 2020 to February 2020. The Group has not elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. LEASES *(Continued)*

Lease Liabilities *(Continued)*

Future lease payments are due as follows:

	Minimum lease payments RMB	Interest RMB	Present value of minimum lease payments RMB
As at 31 December 2020			
Not later than one year	2,137,152	177,530	1,959,622
Later than one year and not later than two years	2,023,958	82,349	1,941,609
Later than two years and not later than five years	819,603	14,628	804,975
	4,980,713	274,507	4,706,206
As at 31 December 2019			
Not later than one year	2,687,423	145,317	2,542,106
Later than one year and not later than two years	1,598,496	48,020	1,550,476
Later than two years and not later than five years	325,500	1,328	324,172
	4,611,419	194,665	4,416,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. LEASES *(Continued)*

Lease Liabilities *(Continued)*

The present value of future lease payments are analysed as:

	31 December 2020 RMB	1 January 2020 RMB
Current liabilities	**1,959,622**	2,542,106
Non-current liabilities	**2,746,584**	1,874,648
	4,706,206	4,416,754

	2020 RMB	2019 RMB
Aggregate undiscounted commitments for short term leases	—	35,000

27. SHARE CAPITAL

	Number of shares	RMB
Registered domestic and unlisted foreign share capital and H Shares:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	359,340,000	359,340,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 RMB	2019 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		**794,440**	1,482,106
Intangible asset		**2,389,497**	—
Interests in subsidiaries		**260,047,260**	260,047,260
Accounts receivable		**215,567,395**	325,364,128
Right-of-use assets		**4,188,444**	4,261,123
Restricted bank deposit		**—**	6,517,683
Deferred tax assets		**9,032,186**	6,178,291
		492,019,222	603,850,591
Current assets			
Accounts receivable		**346,020,353**	600,142,820
Bills receivable		**537,406**	100,000
Prepayments, deposits and other receivables		**2,811,510**	22,372,928
Amount due from a subsidiary		**25,462,515**	175,372,515
Restricted bank deposits		**60,000,000**	96,509,000
Cash and cash equivalents		**139,534,524**	17,188,702
		574,366,308	911,685,965
Current liabilities			
Other payables and accruals		**50,014,919**	78,909,122
Deferred revenue		**—**	998,123
Amount due to an intermediate holding company		**—**	193,000,000
Amounts due to subsidiaries		**189,164,927**	155,208,707
Derivative financial liabilities		**—**	5,768,142
Lease liabilities		**1,641,622**	2,501,844
Tax payables		**905,960**	2,488,738
Interest-bearing bank and other borrowings		**315,694,658**	476,145,247
		557,422,086	915,019,923
Net current assets/(liabilities)		**16,944,222**	(3,333,958)
Total assets less current liabilities		**508,963,444**	600,516,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Note	2020 RMB	2019 RMB
Non-current liabilities			
Deferred revenue		**148,484**	1,506,000
Deposits from finance lease customers and suppliers		**70,077,528**	100,167,224
Lease liabilities		**2,559,068**	1,874,648
Interest-bearing bank and other borrowings		**5,945,152**	42,054,212
		78,730,232	145,602,084
Net assets		**430,233,212**	454,914,549
EQUITY			
Share capital	27	**359,340,000**	359,340,000
Reserves	30	**70,893,212**	95,574,549
Total equity		**430,233,212**	454,914,549

On behalf of directors

LI Peng（李鵬）

WENG Jianxing（翁建興）

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

29. PRINCIPAL SUBSIDIARIES

Details of the subsidiaries are as follows:

Name	Form of business structure	Place of incorporation/ operation and principal activity	Issued and paid up capital	Percentage of ownership interests
杉杉富銀商業保理有限公司 Shan Shan Fullin Factoring Co., Ltd. ("**Fullin Factoring**")	A limited liability company	Provision of factoring services in the PRC	Renminbi ("**RMB**") 50,000,000	100
北京杉杉醫療科技發展有限公司 Beijing Shan Shan Medical Technology Development Co., Ltd. ("**Beijing Medical**")	A limited liability company	Supply of medical equipment in the PRC	RMB 33,710,000	100
天津富銀融資租賃有限公司 Tianjin Fullin Financial Leasing Co., Ltd.	A limited liability company	Provision of finance leasing in the PRC	RMB 170,000,000	100

30. RESERVES

The nature and purposes of reserves within equity are as follows:

(a) Merger reserve

The merger reserve of RMB33,710,000 was initially recognised in the consolidated statements of changes in equity for the carrying amount of share capital of Beijing Medical, a subsidiary of the Group pursuant to the business combination under common control. On 23 April 2014, Beijing Medical was acquired by the Company for a consideration of RMB32,127,965, which the same amount was debited to the merger reserve.

(b) Capital reserve

The capital reserve of the Company represents the difference of the shares issued at premium over par value, net of share issue expenses.

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. RESERVES *(Continued)*

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2020 and 2019 are presented in the consolidated statements of changes in equity.

The Company

	Capital reserve RMB	Statutory reserve RMB	(Accumulated losses)/ retained profits RMB	Total RMB
As at 1 January 2019	31,096,839	9,151,242	53,407,018	93,655,099
Profit and total comprehensive income for the year	—	—	19,886,450	19,886,450
Appropriation to statutory reserve	—	1,691,129	(1,691,129)	—
Dividends paid	—	—	(17,967,000)	(17,967,000)
As at 31 December 2019 and 1 January 2020	31,096,839	10,842,371	53,635,339	95,574,549
Profit and total comprehensive income for the year	—	—	(6,714,337)	(6,714,337)
Release of statutory reserve	—	(423,195)	423,195	—
Dividends paid (Note 11)	—	—	(17,967,000)	(17,967,000)
At 31 December 2020	31,096,839	10,419,176	29,377,197	70,893,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group has the following significant related party transactions.

(a) During the year, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount 2020 RMB	2019 RMB
Ningbo Shanshan Co., Ltd 寧波杉杉股份有限公司 ("**Shanshan**")	Intermediate holding company	Interest expenses	**2,076,521**	7,295,027
Longding Huayuan	Common shareholder (note i)	Income from sale-leaseback transactions	**1,488,383**	—
		Factoring income	**1,797,927**	2,642,850
Shanghai Kuaijie	Common shareholder (note ii)	Factoring income	**1,499,318**	166,944
Shanghai KYMS	Common shareholder (note iii)	Factoring income	**1,060,069**	202,770

Note:

(i) Longding Huayuan is a wholly-owned subsidiary of Dayuan Tiandi, one of the substantial shareholder of the Company.

(ii) Shanghai Kuaijie is a wholly-owned subsidiary of Beijing Kuaiyi Tiandi, which is owned as to 49% by Dayuan Tiandi which is one of the substantial shareholders of the Company.

(iii) Shanghai KYMS is a joint venture partner of Beijing Kuaiyi Tiandi, which is owned as to 49% by Dayuan Tiandi which is one of the substantial shareholders of the Company.

(b) Amount due to an intermediate holding company is unsecure, interest bearing at 4.35% and repayable on demand and had been repaid on 8 July 2020.

(c) Members of key management comprise only of the directors whose emoluments are set out in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. NOTE SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Interest-bearing bank and other borrowings RMB	Amount due to an intermediate holding company RMB	Lease liabilities RMB
At 1 January 2019	571,327,325	236,000,000	2,494,013
Changes from cash flows:			
Proceeds from new bank loans	361,889,708	—	—
Repayment of bank loans	(414,916,420)	—	—
Repayment of bank interest	(101,154)	—	—
Payment of lease liabilities	—	—	(2,395,507)
Net cash outflow from an intermediate holding company	—	(43,000,000)	—
	(53,127,866)	(43,000,000)	(2,395,507)
Other changes:			
Interest expenses on lease liabilities	—	—	216,913
Increase in lease liabilities from entering into new leases during the year	—	—	4,101,335
	—	—	4,318,248
At 31 December 2019	**518,199,459**	**193,000,000**	**4,416,754**
Changes from cash flows:			
Proceeds from new bank loans	**352,753,931**	—	—
Repayment of bank loans	**(549,077,324)**	—	—
Repayment of bank interest	**(236,256)**	—	—
Payment of lease liabilities	—	—	**(1,296,249)**
Net cash outflow from an intermediate holding company	—	**(193,000,000)**	—
	(196,559,649)	**(193,000,000)**	**(1,296,249)**
Other changes:			
Interest expenses on lease liabilities	—	—	**97,833**
Increase in lease liabilities from entering into new leases during the year	—	—	**4,432,001**
Termination of lease			**(3,499,637)**
Modification of leases			**555,504**
	—	—	**1,585,701**
At 31 December 2020	**321,639,810**	—	**4,706,206**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

33. COMMITMENTS

(a) Capital commitments

	2020 **RMB**	2019 RMB
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not yet incurred:	—	390,000

34. CONTINGENT LIABILITIES

At at 31 December 2020, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

35. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Directors also strive to optimise the Group's overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes of the Group's capital management during the Reporting Period.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of Reporting Period were as follows:

	2020 RMB	2019 RMB
Total equity	**459,264,569**	473,992,614
Overall financing		
– Interest-bearing bank and other borrowings	**321,639,810**	518,199,459
– Amount due to an intermediate holding company	**—**	193,000,000
	321,639,810	711,199,459
Equity-to-overall financing ratio	**1:1.43**	1:0.66

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(f):

	2020 RMB	2019 RMB
Financial assets		
Financial asset at fair value through other comprehensive income		
Bills receivable	**537,406**	100,000
Financial assets measured at amortised cost:		
Accounts receivable	**686,364,017**	1,228,636,085
Other receivables and deposits	**2,905,719**	3,289,665
Restricted bank deposits	**60,000,000**	103,026,683
Cash and cash equivalents	**142,021,437**	20,427,118
	891,828,579	1,355,479,551
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	**—**	5,768,142
Financial liabilities measured at amortised cost:		
Other payables and accruals	**2,515,764**	5,887,118
Lease liabilities	**4,706,206**	4,416,754
Amount due to an intermediate holding company	**—**	193,000,000
Deposits from finance lease customers and suppliers	**115,897,094**	181,950,925
Interest-bearing bank and other borrowings	**321,639,810**	518,199,459
	444,758,874	909,222,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Financial instruments not measured at fair value

Financial instruments not measured at fair value include accounts receivable, deposits and other receivables, cash and bank balances, restricted bank deposits, other payables and accruals, amount due to immediate holding company and interest-bearing bank and other borrowings.

Due to their short-term nature, their carrying values of cash and bank balances, deposits and other receivables, restricted bank deposits, other payables and accruals and amount due to immediate holding company approximate their fair values.

The fair value of finance lease receivables, factoring receivables, receivables from sale-leaseback transactions and interest-bearing bank and other borrowings has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

Financial instruments measured at fair value *(Continued)*

	2020			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial asset at FVOCI				
– Bills receivable	—	**537,406**	—	**537,406**

	2019			
	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
Financial asset at FVOCI				
– Bills receivable	—	100,000	—	100,000
Financial liabilities measured at fair value through profit or loss				
– Derivative financial liabilities	—	5,768,142	—	5,768,142

The fair value of the bills receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The financial liabilities measured at fair value through profit or loss in Level 2 represented the foreign currency swap contracts entered into during the year as disclosed in note 25. The foreign currency swap contracts had been matured during 2020.

There were no transfers between levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

As at the end of reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to accounts receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's pledged bank deposits and cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Group's concentration of credit risk on the account receivables as at 31 December 2020 included five major counterparties accounting for 22% (2019: 11%) of the accounts receivable respectively. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customer base as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Lessees of the Group from finance lease and sale-leaseback transactions are from different industries as follows:

Present value of minimum lease payment

	2020 RMB	%	2019 RMB	%
Medical	**76,963,777**	**13**	147,816,004	15
Transportation	**48,804,948**	**8**	133,238,178	14
Electronics	**93,877,394**	**16**	196,417,549	20
Fast-moving consumer goods	**195,996,513**	**33**	225,948,951	23
Alternative energy	**7,601,704**	**1**	30,524,208	3
Machining	**93,144,969**	**15**	191,162,317	20
Others	**84,849,462**	**14**	49,799,134	5
	601,238,767	**100**	974,906,341	100
Less: Provision for finance lease receivables and receivables from sale-leaseback transaction	**(37,065,875)**		(19,849,123)	
	564,172,892		955,057,218	

Factoring receivables of the Group are from different industries as follows:

	2020 RMB	%	2019 RMB	%
Manufacturing	**15,957,726**	**13**	25,664,963	10
Medical	**64,584,265**	**53**	115,964,782	45
Real estate leasing	**40,427,973**	**33**	113,859,447	43
Wholesale and retails	**1,333,882**	**1**	4,140,008	2
	122,303,846	**100**	259,629,200	100
Less: Provision for factoring receivables	**(12,927,175)**		(8,309,959)	
	109,376,671		251,319,241	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

As the customers of the Group are widely dispersed and are engaged in different industries, and the Group has closely monitored the market trend of these industries in the PRC and the business performance of its customers to ensure the timely collection of the account receivable, there is no significant credit risk concentration within the Group.

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classifies its accounts receivable are set out below:

	Description	Finance lease receivables and trade receivables	Other financial assets
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	Lifetime ECL – not credit impaired	12 m ECL
Special-mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Amount is written off	Amount is written off

The Group measures loss allowances for finance lease receivables and trade receivables based on lifetime ECLs. For factoring receivables, the Group assessed the loss allowance for receivables that are not credit-impaired collectively based on 12 month expected credit loss and lifetime ECL and assessed receivables that are credit-impaired based on lifetime expected credit loss. For receivables from sale-leaseback transaction entered into after the date of initial application of HKFRS 16 as at 1 January 2019, the Group measures the loss allowance equal to 12 month expected credit loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

The following table provides information about the Group's exposure to credit risk and ECLs for finance lease receivables, receivables from sale-leaseback transactions factoring receivables and trade receivables as at 31 December 2020 and 2019:

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2020						
Finance lease receivables and trade receivables						
Lifetime ECL – Simplified approach						
Expected loss rate	3.94%	9.13%	10.92%	55.04%	—	
Provision	5,872,611	113,987	2,183,097	21,814,439	—	29,984,134
Collectively assessed gross receivables	148,887,417	1,248,358	20,000,487	39,632,850	—	209,769,112
Receivables from sale-leaseback transaction						
12 month ECL						
Expected loss rate	1.16%	—	—	—	—	
Provision	4,427,955	—	—	—	—	4,427,955
Collectively assessed gross receivables	381,476,737	—	—	—	—	381,476,737
Lifetime ECL – not credit impaired						
Expected loss rate	—	8.90%	—	—	—	
Provision	—	557,206	—	—	—	557,206
Collectively assessed gross receivables	—	6,263,009	—	—	—	6,263,009
Lifetime ECL – credit impaired						
Average expected loss rate	—	—	—	14.86%	—	
Provision	—	—	—	2,522,099	—	2,522,099
Individually assessed gross amount	—	—	—	16,969,882	—	16,969,882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2020						
Factoring receivables						
12 month ECL						
Expected loss rate	2.33%	—	—	—	—	
Provision	1,450,401	—	—	—	—	1,450,401
Collectively assessed gross receivables	62,378,376	—	—	—	—	62,378,376
Lifetime ECL – not credit impaired						
Average expected loss rate	—	4.24%	—	—	—	
Provision	—	1,143,916	—	—	—	1,143,916
Individually assessed gross amount	—	26,980,626	—	—	—	26,980,626
Lifetime ECL – credit impaired						
Average expected loss rate	—	—	—	31.36%	—	
Provision	—	—	—	10,332,858	—	10,332,858
Individually assessed gross amount	—	—	—	32,944,844	—	32,944,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

	Normal RMB	Special Mention RMB	Substandard RMB	Doubtful RMB	Loss RMB	Total RMB
31 December 2019						
Finance lease receivables and trade receivables						
Lifetime ECL – Simplified approach						
Expected loss rate	0.71%	6.23%	14.43%	28.29%	—	
Provision	3,620,252	1,338,173	2,340,995	10,534,598	—	17,834,018
Collectively assessed gross receivables	508,632,502	21,494,767	16,217,727	37,243,871	—	583,588,867
Receivables from sale-leaseback transaction						
12 month ECL						
Expected loss rate	0.61%	—	—	—	—	
Provision	2,517,681	—	—	—	—	2,517,681
Collectively assessed gross receivables	414,079,676	—	—	—	—	414,079,676
Factoring receivables						
12 month ECL						
Expected loss rate	1.19%	—	—	—	—	
Provision	2,979,587	—	—	—	—	2,979,587
Collectively assessed gross receivables	251,251,520	—	—	—	—	251,251,520
Lifetime ECL-credit impaired						
Expected loss rate	—	—	—	63.63%	—	
Provision	—	—	—	5,330,372	—	5,330,372
Individually assessed gross amount	—	—	—	8,377,680	—	8,377,680

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the end of reporting period of the Group's and Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which Group and the Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	On demand RMB	Within 1 year RMB	1 to 2 years RMB	Over 2 years RMB
At 31 December 2020						
Other payables and accruals	**2,515,764**	**2,515,764**	**2,515,764**	**—**	**—**	**—**
Lease liabilities	**4,706,206**	**4,980,713**	**—**	**2,137,152**	**2,023,958**	**819,603**
Deposits from finance lease customers and suppliers	**115,897,094**	**115,897,094**	**—**	**44,939,565**	**46,561,229**	**24,396,300**
Interest-bearing bank and other borrowings (note)	**321,639,810**	**329,437,712**	**—**	**323,041,880**	**6,395,832**	**—**
Total liabilities	**444,758,877**	**452,831,283**	**2,515,764**	**370,118,597**	**54,981,019**	**25,215,903**
At 31 December 2019						
Other payables and accruals	5,887,118	5,887,118	5,887,118	—	—	—
Lease liabilities	4,416,754	4,611,419	—	2,687,423	1,598,496	325,500
Deposits from finance lease customers and suppliers	181,950,925	181,950,925	—	80,905,546	61,615,170	39,430,209
Amount due to an intermediate holding company	193,000,000	193,000,000	193,000,000	—	—	—
Interest-bearing bank and other borrowings (note)	518,199,459	521,979,159	72,921,646	440,999,604	8,057,909	—
Total liabilities	903,454,256	907,428,621	271,808,764	524,592,573	71,271,575	39,755,709

Note: Bank and other borrowings with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between 1 to 3 years after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year RMB	Over 1 year RMB
At 31 December 2020	**321,639,810**	**329,437,712**	**323,041,880**	**6,395,832**
At 31 December 2019	518,199,459	524,364,218	499,985,842	24,378,376

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than cash and cash equivalents (note 20), restricted bank deposits (note 19), accounts receivable (note 16), interest-bearing bank and other borrowings (note 23), derivative financial liabilities (note 25) and lease liabilities (note 26), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate cash and cash equivalent, structured bank deposit and interest-bearing bank and other borrowings. Cash and cash equivalent, structured bank deposits and interest-bearing bank and other borrowing at floating rates expose the Group to cash flow interest rate risk. Interest-bearing bank and other borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2020, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year (through the impact on the Group's cash and cash equivalents and structured bank deposit which are subject to floating interest rate) by approximately RMB710,107 (2019: RMB102,136). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's profit for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. For the year ended 31 December 2019, other than the interest-bearing bank and other borrowings of EUR26,350,345, equivalent to RMB205,858,304, all the financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and the subsidiaries in the PRC to which these transactions relate. For the year ended 31 December 2020, all the financial assets and financial liabilities are denominated in RMB. The Group manages its currency risk by closely monitoring the movements of the currency exchange rates. The Group entered into cross currency swap contracts to reduce its exposure to currency fluctuation risk. The Group currently does not have a currency hedging policy.

The following table indicates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number below indicates an increase in profit and equity where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

	2020 **Euro**	2019 Euro
Decrease in foreign exchange rate	—	1%
Effect on profit for the year and retained profits	—	2,058,583

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of reporting period for presentation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Fair value risk

The fair value of financial assets and financial liabilities in determined based on discounted cash flow analysis. The directors of the Company considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

38. SUBSEQUENT EVENTS AND EFFECT OF COVID-19

Except as disclosed elsewhere in the consolidated financial statements, no significant events took place subsequent to 31 December 2020.

Given the uncertainties brought by the impact of COVID-19 on the global economy, the Group will temporarily shift its focus from active business expansion to stringent asset quality and credit risk management, with an aim to enhancing the Group's ability to cope with the adverse effects of economic fluctuations. In addition, the Group implement the cost management and improve the Group's organizational structure.

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

39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 23 March 2021.