



METROPOLIS

# METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8621



ANNUAL REPORT

# 2022

**CHARACTERISTICS OF GEM (“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.**

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chau David (周大為)  
Ms. Zhou Hui (周卉)

### Non-executive Director

Ms. Chau On (周安)

### Independent non-executive Directors

Mr. Lau Chung Wai (劉仲緯)  
Mr. Mo Luojiang (莫羅江)  
Mr. Lin Peicong (林培聰)

## AUDIT COMMITTEE

Mr. Lau Chung Wai (*Chairman*)  
Mr. Mo Luojiang  
Mr. Lin Peicong

## REMUNERATION COMMITTEE

Mr. Mo Luojiang (*Chairman*)  
Mr. Lau Chung Wai  
Mr. Lin Peicong

## NOMINATION COMMITTEE

Mr. Lin Peicong (*Chairman*)  
Mr. Mo Luojiang  
Mr. Lau Chung Wai

## AUTHORISED REPRESENTATIVES

Mr. Chau David  
Ms. Zhou Hui

## COMPLIANCE OFFICER

Ms. Zhou Hui

## COMPANY SECRETARY

Ms. Lo Lok Ting Teresa

## REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 7003A  
887 Huai Hai Zhong Road  
Huangpu District  
Shanghai  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

## AUDITORS

Mazars CPA Limited  
*Certified Public Accountants*  
42/F., Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

## CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKER

Agricultural Bank of China Limited  
China Merchants Bank Co. Ltd.

## STOCK CODE

8621

## COMPANY WEBSITE

<http://www.metropolis-leasing.com/>

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Metropolis Capital Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”), I am pleased to present the annual report of the Group for the year ended 31 December 2022 (the “Reporting Period”).

The shares (the “Shares”) of the Company were successfully listed on GEM of the Stock Exchange on 12 December 2018 (the “Listing Date”). The Group is headquartered in Shanghai and has been providing customised finance leasing, finance leasing advisory and factoring services to customers throughout the country over a decade.

## PERFORMANCE REVIEW

In 2022, the economic operation of our country is impacted by many unexpected factors, such as the outbreak of local COVID-19 cases in the People’s Republic of China (the “PRC”) caused by the divergent variants of COVID-19. In light of the development of the COVID-19 pandemic, the PRC government constantly optimised its prevention and control measures in 2022 to strike a balance between epidemic prevention and control as well as economic and social development. It has stepped up macroeconomic regulation and control efforts to respond to counter the impacts of unexpected factors, and overall macroeconomic stability has been maintained. In 2022, the GDP of the PRC reached RMB121.02 trillion, representing an increase of 3.0%, as compared with the previous year.

Affected by the lockdown measures to contain the local COVID-19 flare-ups in Shanghai, the Group’s business suffered a short period of stagnation, resulting in insufficient use of financing, leading to a decrease in the Group’s business margin. At the same time, post-loan management (mainly including loan tracking inspection, credit risk supervision and early warning, loan principal and interest recovery, non-performing credit asset management and credit file management, etc.) was adversely affected, leading to an increase in credit risks, and credit losses are expected to increase.

Although the external environment brought adverse challenges to the Group, we have strived to improve the Group’s values for the shareholders of the Company (the “Shareholders”) by way of business innovation and exploration. Our leasing advisory business in certain niche markets have proved to be successful and we will carry on those business lines in the foreseeable future. The management is aware of corporate governance and compliance are crucial to the Group’s sustainable development. We had carried out an extensive internal control review exercise in order to identify any possible inefficiencies in our business operations system. We will continue to improve and optimise our corporate governance goals to carry out the internal review exercise at least on an annual basis.

The Group’s revenue for the Reporting Period, was approximately RMB48.0 million, which represented an increase of approximately 9.9% from approximately RMB43.7 million for the year ended 31 December 2021 (the “Corresponding Period”). The Group’s interest income arising from sale and leaseback arrangements, alongside with finance leasing advisory business made good progress during the Reporting Period, the respective revenue thereof amounted to RMB25.3 million and RMB13.9 million and accounted for approximately 52.7% and 29.0% of the total revenue for the Reporting Period. The city-wide lockdown measures in Shanghai throughout the Reporting Period has led the Group to adopt stricter risk control measures and make provisions on the Lease Receivables (as defined in the section headed “Management discussion and analysis” of this report) and the factoring receivables in order to minimise future credit risks when the Group conducted impairment assessment on the relevant Lease Receivables and factoring receivables. The management would keep a close eye on its assets performance and would take actions as and when appropriate.



# CHAIRMAN STATEMENT

## OUTLOOK

Since December 2022, COVID-19 restrictions has been relaxed in the PRC. According to the National Health Commission of the PRC, as of January 2023, the overall COVID-19 situation in the PRC has entered a low level. With the PRC's COVID-19 response moving into a new phase and policies continuing to be implemented fully and meticulously, work and life are expected to resume back to normal at a faster pace, and the internal drivers of the PRC's economy will gather greater momentum. In 2023, the PRC's economy will see overall improvement, as compared to that of the Reporting Period. All these changes in the external environment demand more innovation and creativity from the Group, and the management must strengthen the competitiveness of the Group to cope with the external changes and competitions accordingly.

The Group will keep its focus to serve the financing needs from the small and medium-sized enterprises as well as individuals by way of finance leasing. Also, the good progress made in the finance leasing advisory services business has brought confidence to the management that it is one of the business strategies of the Group that is worth pursuing further. The Group has made good progress with funding by forming strategic partnership with several well-established financial institutions, during the Reporting Period. Not only will the Group maintain relationship with its current financing partners, it will keep engaging more institutions who can complement us to provide with a one-stop financing solution for the small and medium-sized enterprises as well as individuals, who are our core customers.

The management has been actively considering other business opportunities to bring a better return to its Shareholders. The management is considering to diversify the Group's existing business and broaden its source of income. The Group had established a new business entity to engage in trading in the PRC and may use its resources to invest in other industries in the future, so as to bring additional source of revenue to the Group and create value to its Shareholders.

The Board would like to express its gratitude for the efforts and contributions made during the year by all of the Group's employees as well as the strong support of its business partners and customers.

### **David Chau**

*Chairman, chief executive officer and executive Director*  
Shanghai, the PRC, 21 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

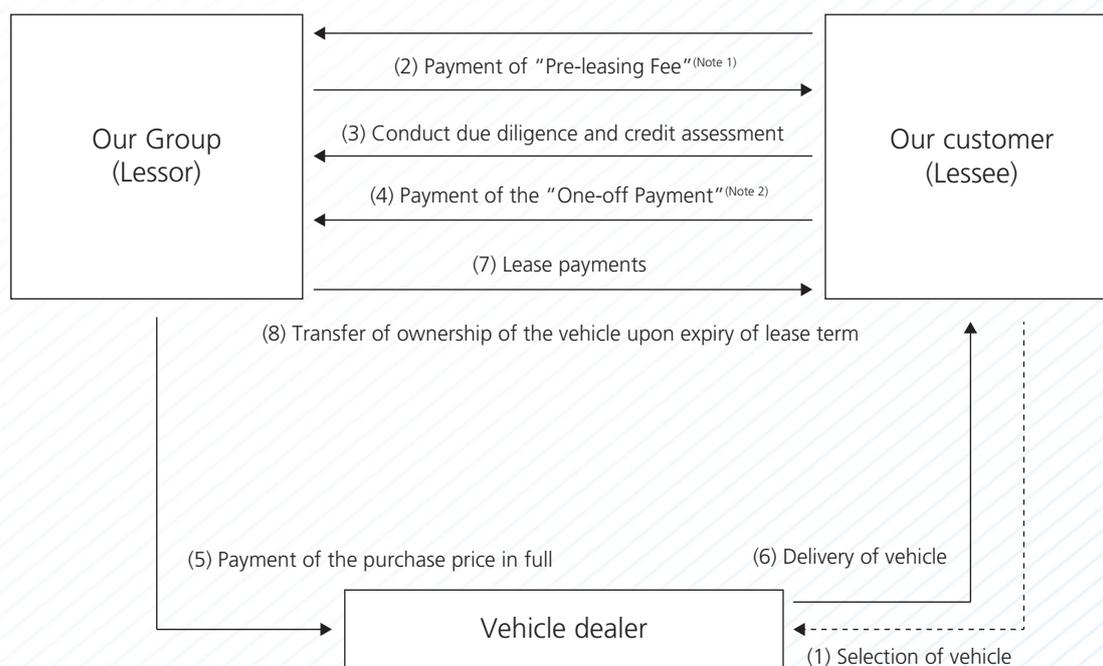
### Finance Leasing Business

We primarily provide customised vehicle finance leasing to our customers. The Group categorises its vehicle finance leasing into typical finance leasing and sale and leaseback arrangements.

Typical finance leasing generally involves the leasing of vehicle acquired by us from a vehicle dealer prior to a lease transaction. The sale and leaseback arrangement generally involves the leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer prior to a lease transaction. During the Reporting Period, most of our vehicle finance leasing transactions were under sale and leaseback arrangements.

#### **Typical finance leasing**

The following diagram illustrates the relationship among our Group (as lessor), our customer (as lessee) and the vehicle dealer under a typical finance leasing:



Notes:

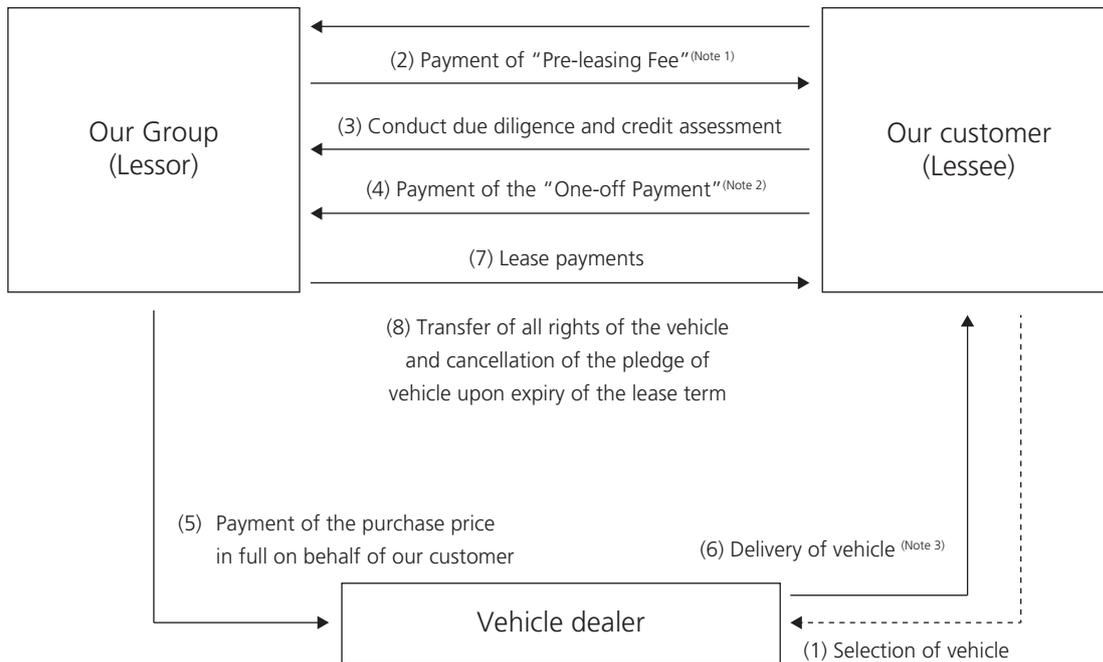
- (1) "Pre-leasing Fee" includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the "One-off Payment" at the later stage.
- (2) "One-off Payment" includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee and down payment (if applicable).

In typical finance leasing, we typically provide financing of approximately 30.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Sale and leaseback arrangements

The following diagram illustrates the relationship among our Group (as lessor), our customer (as lessee) and the vehicle dealer under a typical sale and leaseback arrangements:



Notes:

- (1) "Pre-leasing Fee" includes earnest money and due diligence fee (if applicable). The earnest money can be applied to offset part of the "One-off Payment" at the later stage.
- (2) "One-off Payment" includes insurance fee, security deposit, administrative fee, GPS installation fee, due diligence fee, and down payment (if applicable). In this step, our customer will also enter into an agreement with our Group to transfer all rights of the leased vehicle to us.
- (3) In this step, we will enter into an agreement with our customer and the vehicle dealer pursuant to which, among others, the vehicle dealer and our customer confirm that we possess all rights of the leased vehicle. Besides, we will arrange for the registration of the pledge of the leased vehicle to our Group at the relevant PRC authorities as part of our risk management procedure.

The vehicles under the sale and leaseback arrangements are generally (i) commercial vehicles such as trucks, shuttle buses, coaches, tractor units, concrete transport trucks and dump trucks; and (ii) passenger vehicles which require road transportation operation licence. Under the sale and leaseback arrangements, we typically provide financing of approximately 23.0% to 100% of the total vehicle value (including the purchase price of the vehicle and vehicle insurance (if applicable)) to our customers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Factoring Business

Factoring is a financing arrangement in which a business owner pledges its account receivables to our Group as security to obtain financing.

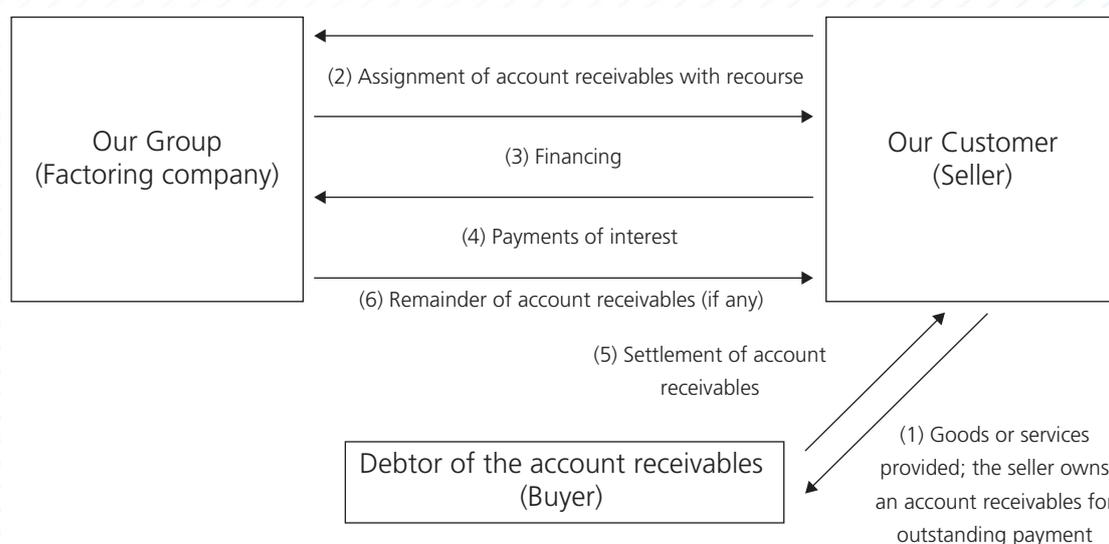
In a typical factoring transaction, we (as factoring company) provide financing and account receivables management services to our customer (as seller) in return for (i) interest income; and (ii) assignment of customer receivables with recourse. After the assignment of customer receivables, we own the right to receive the outstanding amount of the account receivables from the buyer (i.e. debtor of the account receivables). Such account receivables are generally payable within 2–36 months.

The settlement arrangement of our interest income is usually negotiated between our customer and the Group in a case-by-case basis. We will collect the interest income either (i) in monthly or quarterly instalments; or (ii) at the end of the financing period.

When the debtor of the account receivables settles the account receivables, such sums are first applied to the settlement of the financing and the services provided to our customer under the factoring transaction between our customer and us, and any remainder is then paid to our customer.

Our business model of our factoring business is premised on the fact that small and medium-sized enterprises (“SMEs”) in the PRC are generally underserved by the banking industry as commercial banks in the PRC have generally been reluctant to provide financing to SMEs without sufficient credit support, such as third-party guarantees, or adequate collaterals of tangible assets.

The following diagram illustrates the relationship among our Group (as factoring company), our customer (as seller) and the debtor of the account receivables (as buyer):



# MANAGEMENT DISCUSSION AND ANALYSIS

## Main Terms of Finance Leasing Business and Factoring Business

### *Finance leasing business*

We have standard templates for our vehicle finance leasing agreements. A summary of the key terms of our typical finance leasing and sale and leaseback arrangements are set out below:

	Typical finance leasing	Sale and leaseback arrangements
<b>Average term</b>	Range from 2 to 5 years (2021: 1 to 5 years)	Range from 1 to 4 years (2021: 1 to 4 years)
<b>Interest</b> (Note 1)	approximately 10.34% to 23.09% per annum during the Reporting Period (2021: approximately 10.34% to 23.09%)  All interest rates inherent in the lease are fixed at the contract date over the lease terms  For details, please refer to Note 17 in the consolidated financial statements of this annual report	approximately 11.39% to 34.72% per annum during the Reporting Period (2021: approximately 11.00% to 34.72%)  All interest rates inherent in the lease are fixed at the contract date over the lease terms  For details, please refer to Note 18 in the consolidated financial statements of this annual report
<b>Vehicle under lease</b>	A detailed vehicle list is listed as an appendix to the finance leasing agreement(s)	
<b>Title/ownership of vehicle under lease</b>	During the lease term, the ownership of the leased vehicle under the respective finance leasing agreement(s) shall be vested in the Group. The vehicle under lease will be registered under the name of the Group or the lessee who holds the road transportation operation licence in the "Motor Vehicle Registration Certificate"	The vehicle under lease typically requires a road transportation operation licence under the relevant laws and regulations of the PRC, therefore, the vehicle under lease will be registered under the name of the vehicle dealer or the lessee who holds the road transportation operation licence. We will require the lessee to transfer all rights of the leased vehicle to the Group, and to pledge the vehicle under lease to the Group and register the pledge with the relevant PRC authorities
<b>Collaterals</b>	Our customer will pay the Group a security deposit to safeguard for their performance of the obligations under the finance leasing agreements  Apart from the security deposit, depending on the risk level of our customer, the Group may also require lessees and third parties to provide additional collaterals or guarantees so that the Group will have better protection against credit risk. These additional collaterals or guarantees include (i) joint and several guarantees from the lessee's legal representative, major equity interest holders or their family members (where applicable); and (ii) pledge of real property or vehicles owned by the lessees	

# MANAGEMENT DISCUSSION AND ANALYSIS

<b>Insurance</b>	Full insurance coverage on the vehicle under lease; insurance premium payable by the lessee
<b>Rent, fees and security deposit</b>	<ul style="list-style-type: none"><li>— monthly lease payment by lessee;</li><li>— fees for late repayment and insurance; and</li><li>— security deposit</li></ul>
<b>Default provision</b>	If the lessee fails to pay any installment of rent, or fails to perform any of its obligations under the finance leasing agreement, the Group shall have the right to demand prompt payment in full or part of the lease receivables, or immediately and unilaterally dispose of such leased vehicle
<b>Completion</b>	After full settlement of all interest and principal, the Group shall transfer the ownership of the leased vehicle(s) to the lessee

Note: We charge interest on our finance leases based on the prevailing market rates, the assessment of the credit risk involved and the liquidity of the lease asset, our funding cost and our internal rates of return for finance leasing of different lease assets. Factors which affect the risk premium for pricing of our finance leases include the customer's industry and reputation, existing debt position, operating cash flows and the projected cash flows to be generated from the lease asset (if applicable).

## **Factoring business**

The factoring agreement is entered into between the Group (as factoring company) and the customer (as seller), where the factoring principal amount is stipulated in the factoring agreement. After the customer assigned the account receivables to the Group with recourse, we shall advance the factoring financing to our customer accordingly, and we own the right to receive the outstanding amount of the account receivables from the debtor of the account receivables.

A summary of the key terms of our factoring agreements are set out below:

<b>Average term</b>	The factoring receivables are measured at amortised cost and generally with maturity ranging from 2 to 36 months (2021: 3 to 36 months)
<b>Interest</b>	The effective interest rates of the factoring receivables as at 31 December 2022 range from approximately 11.39% to 15.00% (2021: 11.30% to 15.00%) per annum. For details, please refer to Note 20 in the consolidated financial statements of this annual report
<b>Type of factoring</b>	(i) with recourse, which means that under certain circumstances, such as a default by the debtor of the account receivables (as buyer) to pay the account receivables, and a dispute arising between the debtor of the account receivables (as buyer) and our customer, our customer is required to unconditionally repay the outstanding balance of the financing provided to such customer, together with any unpaid interest and related fees owed to us; and (ii) with notification, which means the buyer is notified of the factoring arrangement between our customer and us before or after we provide financing to our customer

# MANAGEMENT DISCUSSION AND ANALYSIS

**Title/ownership of the account receivables** The title/ownership of the account receivables will be assigned with recourse to the Group upon the commencement of the factoring agreement

**Repurchase** The Group shall be entitled to demand the customer to immediately and unconditionally repurchase the outstanding amount of the account receivables being assigned to the Group, by repaying the outstanding factoring principal amount of the respective factoring agreements and accrued interest in the event that any of the triggering events (including but not limited to the following) occurs:

- (i) the debtor of the account receivables has failed to repay the account receivables within 90 days after the due date of which the customer or the Group has demanded the repayment of such account receivables;
- (ii) prior to the due date of the account receivables, the debtor or the customer notified the Group in writing that there are commercial disputes concerning the relevant contract between them, or the Group is made aware of such disputes through the customer or through other ways; and/or
- (iii) commercial fraud is involved in the contract.

**Default provision**

- In the case of the failure of the customer to repurchase the account receivables by the time specified by the Group, default interest shall be applied in respect of the outstanding factoring principal amount under the factoring agreement
- In the case of the failure of the customer to pay the account receivables to the Group in a timely manner upon receipt of such account receivables pursuant to the factoring agreement, the Group has a right to demand the customer for a payment of liquidated damages

## Operational Workflow

We have adopted a systematic operational workflow for our vehicle finance leasing operation and factoring operation. Under the workflow, we applied various risk management measures to control the risks involved.

The following chart sets out the typical workflow of our vehicle finance leasing business operation:



Note: The finance lease receivables are generally payable in one to five years, depending on the terms of the respective finance leasing agreements.

# MANAGEMENT DISCUSSION AND ANALYSIS

The following chart sets out the typical workflow of our factoring business operation:



Note: The factoring receivables are generally payable within 2 to 36 months, depending on the terms of the respective factoring agreements.

## Assessment of Credit Risk

Our business principally involves providing finance leasing to customers on the premise that the net financing amount will be repaid together with accrued interest. Our business is therefore subject to risks that our customers may default on their repayment obligations. As such, we have adopted the following strategies to achieve our risk management objectives:

- continue to remain selective in the screening of customers, based on our thorough industry understanding;
- strengthen our risk management capabilities through the segregation of duties between (i) our business operation department, which is responsible for customer exploration and service; (ii) our credit assessment department, which is responsible for credit assessment after considering our customer's ability and willingness to pay its financial obligations; (iii) our legal department, which is responsible for checking the completeness of the legal documents signed by our customers; and (iv) our finance department, which is responsible for ensuring the satisfaction of the conditions precedent prior to the approval of the financing;
- strengthen our ability to detect potential default by our customers by monitoring the portfolio of each customer and the usage of the leased vehicles through our e-leasing system and GPS online system; and
- continue to cultivate a strong risk management culture through rigorous implementation of our risk management policies and measures, as well as company-wide employee training.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including the historical experience and any forward-looking information that is available without undue cost or effort. For details, please refer to Note 2 in the consolidated financial statements of this annual report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Clients Size and Diversity

The Company is an investment holding company and the principal place of business of the Group's operation is in the PRC.

We provide our vehicle finance leasing mainly to SME and individuals in the PRC. To the best of the Directors' information and belief, the majority of our customers used the leased vehicles to engage in vehicle operating lease business (e.g. operation of passenger car fleets), road freight and passenger transportation.

During the Reporting Period, to the best of the Directors' information and belief, all revenue from the factoring agreements was generated from customers which were SMEs, which were primarily engaged in the vehicle leasing and the development and the sale of medical equipments and devices business.

For details on our largest customers during the Reporting Period, please refer to the paragraph headed "Relationship with customers and suppliers" in the Director's Report in this annual report. For details on our related party transactions during the Reporting Period, please refer to the paragraph headed "Related party transactions" in the Director's Report in this annual report.

## REVENUE

The Group's revenue was principally derived from finance lease income for the provision of finance lease services (including finance lease and sale and leaseback arrangements), finance leasing advisory and factoring services in the PRC. During the Reporting Period, the Group's revenue increased by approximately RMB4.3 million or approximately 9.9% to approximately RMB48.0 million from approximately RMB43.7 million for the Corresponding Period. The increase in revenue for the Reporting Period was mainly attributable to the increase in the interest income generated from sale and leaseback arrangements (which accounted for approximately 52.7% of the total revenue), and finance leasing advisory service income (which accounted for approximately 29.0% of the total revenue). The sale and leaseback arrangements generally involves the leasing of a new or second-hand vehicle acquired by our customer from a vehicle dealer prior to a lease transaction. The finance leasing advisory services were rendered to serve as an intermediary between individual clients with financing needs and independent financial institutions who provide sale and leaseback arrangements services in relation to second-hand vehicles to individual clients. We also provide finance leasing advisory services to our customers or suppliers. The Group advised individual clients on their financing options based on their specific needs, and assisted with mediating the finance leasing contracts between the independent financial institutions and the individual clients, after assessing those clients' risk profiles. Finance leasing advisory services of the Group include but are not limited to: credit background referencing and vehicle value assessment; leasing application mediation, document preparation and auxiliary post lending assets management services, provision of credit assessment platform, and so on.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER INCOME

During the Reporting Period, the Group's other income, which primarily consists of, among others, government subsidies to the Group's entities engaged in the leasing business in the PRC, remained stable at approximately RMB2.0 million, as compared to that of the Corresponding Period, i.e. approximately RMB2.0 million.

## OTHER GAINS AND LOSSES

During the Reporting Period, the Group recorded other gains of approximately RMB0.7 million, whereas the Group recorded other losses of approximately RMB0.3 million during the Corresponding Period. Other gains recorded during the Reporting Period was primarily consisted of the currency exchange gains of bank accounts denominated in Hong Kong dollars held by the Group which appreciated against Renminbi over the Reporting Period.

## STAFF COSTS

During the Reporting Period, the Group's staff costs amounted to approximately RMB8.8 million, representing a decrease of approximately 23.0% from approximately RMB11.5 million for the Corresponding Period. During the Reporting Period, in order to save the Group's operating costs, the Group made business adjustment and reduced the number of sales staff in direct sales stores and business development staff, and the Group solicited customers through external agencies.

## OTHER OPERATING EXPENSES

During the Reporting Period, the Group's other operating expenses, which primarily consists of, among others, finance leasing advisory service costs, remained stable at approximately RMB17.8 million, as compared to approximately RMB17.1 million during the Corresponding Period.

## FINANCE COSTS

During the Reporting Period, the Group's finance costs amounted to approximately RMB14.8 million, representing an increase of approximately 55.3% from approximately RMB9.5 million during the Corresponding Period. The increase was mainly due to the increase of approximately RMB5.6 million in the interest on bank and other borrowings as the balance of bank and other borrowings significantly increased to approximately RMB118.3 million as at the end of the Reporting Period, while the balance as at the end of the Corresponding Period was approximately RMB78.9 million. In addition, the imputed interest expenses arising from deposits received from leasing customers decreased by approximately RMB0.3 million, as compared with that of the Corresponding Period.



# MANAGEMENT DISCUSSION AND ANALYSIS

## QUALITY OF FINANCE LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (COLLECTIVELY, "LEASE RECEIVABLES") AND FACTORING RECEIVABLES

As at 31 December 2022, the balance of the Lease Receivables (before loss allowances) was approximately RMB216.5 million and the balance as at 31 December 2021 was RMB248.1 million (before loss allowances), representing decrease of approximately RMB31.6 million or 12.8%. The decrease was mainly due to the decrease of the balance of finance lease receivables.

As at 31 December 2022, the balance of the factoring receivables (before loss allowances) was approximately RMB61.6 million and the balance as at 31 December 2021 was RMB32.4 million (before loss allowances), representing an increase of approximately RMB29.2 million or 90.0%.

Further analysis in relation to the Group's Lease Receivables and factoring receivables could be found in Notes 17, 18 and 20 of the Group's consolidated financial statements.

## LOSS ALLOWANCES ON THE LEASE RECEIVABLES AND FACTORING RECEIVABLES (COLLECTIVELY, "LOAN RECEIVABLES")

During the Reporting Period, the Group recognised loss allowances on Lease Receivables of approximately RMB19.7 million which was significantly higher than the loss allowances of approximately RMB4.9 million for the Corresponding Period.

During the Reporting Period, there was a reversal of loss allowances on factoring receivables of approximately RMB0.5 million, as compared to approximately RMB1.1 million loss allowance made on factoring receivables for the Corresponding Period.

The Company did not engage any independent external valuers to perform the assessment on the loss allowances (the "Loss Allowances") on the Loan Receivables of the Group. The Company conducted internal assessment and evaluation to support the impairments made, and performs such impairment assessment under expected credit loss ("ECL") model on its financial assets (including but not limited to the Loan Receivables) and financial guarantee contracts which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Basis of Determining the Loss Allowances

The basis of determining the Loss Allowances of the Company is based on the ECL model according to IFRS 9. The Company applied the general approach in IFRS 9 (the “General Model”) to measure the ECL. As disclosed in Notes 2 and 32 to the consolidated financial statements, the Company’s credit risk grading framework in respect of all the Company’s financial assets (including but not limited to the Loan Receivables) is as follows:

**Stage 1** includes financial assets and Lease Receivables that have low risk of default or that have not been a significant increase in credit risks since initial recognition and that are not credit-impaired. For these assets, 12-month ECL is recognised.

**Stage 2** includes financial assets and Lease Receivables that have had a significant increase in credit risk since initial recognition but that are not credit-impaired. For these assets, lifetime ECL is recognised.

**Stage 3** includes financial assets and Lease Receivables that are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset had occurred. For these assets, lifetime ECL is recognised.

In addition to the above three-stage framework, if there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery, the relevant amount will be written off. The assessment of the Loss Allowances is conducted based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The management of the Group regularly reviews the change of the factors in the ECL formula (as set out below) (if any), and to determine whether the credit risk of financial assets have changed.

The Group generally measures the Loss Allowances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, where the Group would then consider recognising lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk on the Loan Receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring on the Loan Receivables at the reporting date with the risk of a default occurring on the Loan Receivables at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# MANAGEMENT DISCUSSION AND ANALYSIS

In particular, the following factors are taken into account when assessing whether credit risk of the Loan Receivables has increased significantly since initial recognition, including:

- (i) an actual or expected significant deterioration in the Loan Receivables' external (if available) or internal credit rating;
- (ii) significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, and the credit default swap prices for the debtor;
- (iii) existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (iv) an actual or expected significant deterioration in the operating results of the relevant debtor;
- (v) significant increase in credit risk on other financial instruments of the relevant debtor; and
- (vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the relevant debtor that results in a significant decrease in the relevant debtor's ability to meet its debt obligations.

For further details on the basis of determining the ECL, please refer to Notes 2 and 32 to the consolidated financial statements.

## Calculation to Determine the Loss Allowances

The Group has adopted the General Model to assess its Loan Receivables during the Reporting Period and at the reporting date (i.e. 31 December 2022). The ECL formula is presented as follows:

$$\text{ECL} = \text{PD} \times \text{LGD}$$

where:

$$\text{PD} = \text{Probability of Default}$$

$$\text{LGD} = \text{Loss Given Default}$$

The Group uses various assumptions in estimating ECL, for example gross domestic product ("GDP") growth rate, producer price index ("PPI") rate and consumer price index ("CPI") rate. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

According to the ECL formula, the measurement of ECL is based on the probability of default and loss given default (i.e. the magnitude of the loss if there is a default). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (which includes macro-economic information), where any exposure at default will also be considered. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The weighted average ECL also incorporate forward looking information.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the Loan Receivables, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the relevant contracts and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The cash flows used for determining the ECL is consistent with the cash flows used in measuring the Loan Receivables in accordance with IFRS 16.

The Group recognises an impairment gain or loss in profit or loss for the Loan Receivables with a corresponding adjustment to their respective carrying amount through a loss allowance account.

## Circumstances Leading to the Loss Allowances

The circumstances leading to the Loss Allowances primarily involve (i) ECL made to the gross carrying amount of the Loan Receivables concerned; and (ii) the deterioration of the financial conditions and/or credit ratings of the counterparty of the relevant financial leasing agreements and factoring agreements. These ECL made to the gross carrying amount of the Loan Receivables was based on external factors such as changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group and were not resulted from any default of the relevant loans concerned.

Applying the ECL model, the Group will make loss allowance on the Loan Receivables when there has been a change in credit risk since initial recognition, and assess whether the Loan Receivables are credit-impaired and consider the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due. As such, the Directors typically become aware of the change in credit risk (if any) on a monthly basis.

## The Board's Assessment on the Loss Allowances

As at 31 December 2022, the gross carrying amount of the Loan Receivables recorded an aggregate amount of RMB278,042,749, which remained stable as compared with that of RMB280,531,997 as at 31 December 2021. Details are as follows:

	<b>As at 31 December 2022 RMB</b>	As at 31 December 2021 RMB	Change (in approximate) RMB	(%)
Finance lease receivables	<b>71,391,428</b>	113,998,859	(42,607,431)	(37.4%)
Receivables arising from sale and leaseback arrangements	<b>145,080,800</b>	134,122,721	10,958,079	8.2%
Factoring receivables	<b>61,570,521</b>	32,410,417	29,160,104	90.0%
<b>Total</b>	<b>278,042,749</b>	280,531,997	(2,489,248)	(0.9%)

## MANAGEMENT DISCUSSION AND ANALYSIS

Despite the gross carrying amount of the Loan Receivables was RMB278,042,749 as at 31 December 2022 as set out above, the Loss Allowances of the Loan Receivables as at 31 December 2022 increased by approximately 12.4%, as compared with that of approximately RMB49,316,675 as at 31 December 2021. Details are as follows:

	<b>As at 31 December 2022 RMB</b>	As at 31 December 2021 RMB	Change (in approximate) RMB	(%)
<b>Loss allowances for ECL</b>				
Finance lease receivables	<b>44,557,293</b>	44,923,944	(366,651)	(0.8%)
Receivables arising from sale and leaseback arrangements	<b>10,252,918</b>	3,257,612	6,995,306	214.7%
Factoring receivables	<b>642,763</b>	1,135,119	(492,356)	(43.4%)
<b>Total</b>	<b>55,452,974</b>	49,316,675	6,136,299	12.4%

The increase in Loss Allowances on the Loan Receivables was primarily due to the increase in the weighted average ECL. The city-wide lockdown measures, which were implemented to contain the outbreak of local COVID-19 caused by the divergent variants of COVID-19 in Shanghai throughout the Reporting Period, have led the Group to adopt stricter risk control measures and make provisions in order to prevent future credit risks when the Group conducted impairment assessment on the relevant Loan Receivables. During the Reporting Period, customers' overdue repayment has increased. On the other hand, the Group's door-to-door calling for repayment, portfolio management, risk monitoring and other asset management work cannot be carried out normally throughout the Reporting Period. This may escalate the credit risk of the Group's Loans Receivables, in particular, the finance lease receivables under stage 3 of ECL. Details are as follows:

	<b>As at 31 December 2022 (in approximate)</b>	As at 31 December 2021 (in approximate)
<b>Weighted average ECL</b>		
Finance lease receivables	<b>62.4%</b>	39.4%
Receivables arising from sale and leaseback arrangements	<b>7.1%</b>	2.4%
Factoring receivables	<b>1.0%</b>	3.5%

# MANAGEMENT DISCUSSION AND ANALYSIS

Apart from the reason mentioned above, the increase in Loss Allowances on the Loan Receivables was also primarily due to the following reasons:

- (i) the increase in the gross carrying amount of the receivables arising from sale and leaseback arrangements as at 31 December 2022; and
- (ii) the increase in ECL made under stage 3 of ECL for the finance lease receivables as at 31 December 2022 despite its decrease in the gross carrying amount as at 31 December 2022 as (a) vast majority of the finance leasing customers are corporations which tend to repay later than individual customers generally; and (b) based on the latest information obtained by the Group, due to the repayment difficulties faced by some eight customers which are primarily engaged in the ride-hailing business (the “Eight Customers”) during the Reporting Period, the Group has decided to classify their respective finance lease receivables under stage 3 of ECL.

In accordance with the Groups’ risk management objectives as disclosed in the paragraph headed “Business Review — Assessment of Credit Risk” in the section headed “Management discussion and analysis” in this annual report, the Group’s management has closely monitored the recoverability of the outstanding balances arising from each of the Eight Customers and has kept dealing with each of them since the date that the Group had become aware of the indication of default through the normal monitoring procedure of the portfolio of each customer and the usage of the leased vehicles through the Group’s e-leasing system and GPS online system. The Group’s management noted that the Eight Customers have experienced shortage of working capital as a result of the outbreak of COVID-19 pandemic in Shenzhen, in particular, during the second half of 2022, which deteriorated the ride-hailing business carried out by the Eight Customers. The shortage of working capital of the Eight Customers was the indication of default. To further enhance the recoverability of the outstanding balances arising from the Eight Customers, the Group is able to assess to the bank records and financial information of the Eight Customers, so the Group can continuously monitor the cash flows and the business performance of the Eight Customers from time to time. With the relaxation of the COVID-19 measures in Shenzhen, the business operation of the Eight Customers have returned to normal. The Group is of the view that continuous operations of the Eight Customers are vital to the Group to receive the remaining balance; and the Group has required the Eight Customers to repay their respective outstanding obligations from time to time. The Group shall also promptly evaluate the cash inflows that the Eight Customers can bring to the Group under the conditions of continuous operation and/or asset disposal. If the cash inflow brought by the former is less than the latter, the Group will consider to take further actions to recover the outstanding balances, including but not limited to, exercising the right to sell all the pledged assets of the Eight Customers in accordance with the relevant finance leasing agreements, or commencing legal action against the Eight Customers. After assessing their future estimated cash flows prepared by the Group’s management, which includes the expected recoverable amounts from the Eight customers, the corresponding deposits received and realisation of collaterals held in supporting the computation of loss allowances for ECL, as at 31 December 2022, the Group recognised loss allowances arising from the Eight Customers in the amount of RMB24,764,730.

With the gradual relaxation of COVID-19 restrictions in the PRC in late 2022 and early 2023, the Group’s asset management work has gradually resumed to normal. The management has reviewed the credit risk control system and has taken remedial actions, such as suing long overdue customers in a timely manner and reclaiming and disposing of vehicles. The management considered that the overall quality of the Group’s Loan Receivables remained under control.

The grouping of the ECL measurement is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics. The management of the Group is required to make robust estimates on ECL and the point at which there is a significant increase in credit risk based on available information that the management deems reasonable and applicable, all of which involve prudent judgement.

The Board is of the view that the Loss Allowances is made appropriately as ECL was properly determined in accordance with IFRS 9 with reference to the gross carrying amount of the Loan Receivables concerned, and/or changes in the financial conditions and credit ratings of the counterparty of the relevant finance leasing agreements and factoring agreements.

# MANAGEMENT DISCUSSION AND ANALYSIS

In addressing the loss allowances for ECL on the Loan Receivables, the auditors of the Company has, among others, (i) enquired the Group's management to understand the Group's process for estimating the loss allowances for ECL of the Loan Receivables; (ii) evaluated the judgement made by the Group's management in identifying the Loan Receivables with significant increase in credit risk and credit-impaired Loan Receivables; and (iii) evaluated the reasonableness of the ECL model methodology and related parameters including the probability of default, value of the collaterals, loss given default and forward-looking information, etc. For further details, please refer to the paragraph headed "Key audit matters" in the independent's auditor's report.

Details about the loss allowances on the Loan Receivables can be found in Notes 17, 18 and 20 of the Group's consolidated financial statements. A large comparative loss allowances figure was provided for the Reporting Period and its detailed explanation could be found in Notes 17, 18, 20 and 32 of the Group's consolidated financial statements of this annual report. The management of the Group would like to emphasise that the loss allowances on the Loan Receivables mentioned above was of non-cash nature and did not have any material impact on the cash flows of the Group. The management of the Group will continue its strict quality control measures over its Loan Receivables.

## LOSS BEFORE TAX

The Group recognised a loss before tax of approximately RMB9.9 million for the Reporting Period as compared to a profit before tax of approximately RMB1.2 million for the Corresponding Period. The Group recorded loss during the Reporting Period was mainly due to (i) the increase in loss allowances on the Lease Receivables; and (ii) the increase in finance costs due to the increase in the interest on bank and other borrowings as the balance of bank and other borrowings significantly increased. The Group's operating profit, being the difference between revenue and finance costs, as a lessor, for the Reporting Period was approximately RMB33.2 million, which was approximately RMB1.0 million less than that of the Corresponding Period.

## INCOME TAX CREDIT

During the Reporting Period, the Group recorded an income tax credit of approximately RMB5.8 million, as compared with that of approximately RMB1.1 million for the Corresponding Period. Income tax credit represents the sum of the current income tax and deferred tax. By the end of 2022, the Group has deductible temporary differences of RMB55,452,975 (2021: RMB49,588,162) of which RMB34,951,276 (2021: RMB13,960,447), before considering the applicable tax rate, was recognised as deferred tax assets.

## MATERIAL ACQUISITIONS OR DISPOSALS

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

## FOREIGN EXCHANGE RISK

The Group's primary business operations are exposed to limited foreign exchange risk because its domestic operations are primarily funded in Renminbi. The Group's exposure to the risk of changes in foreign exchange is primarily due to the currency exchange differences of bank accounts denominated in Hong Kong dollars held by the Group which appreciated against Renminbi over the Reporting Period. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

	For the year ended 31 December	
	2022	2021
	RMB	RMB
Cash and cash equivalents (as at 31 December)	57,645,902	27,638,418
Net cash used in operating activities	(12,894,303)	(33,125,033)
Net cash (used in) from investing activities	(4,416,278)	3,911,689
Net cash generated from financing activities	46,549,292	40,502,610

As at 31 December 2022, cash and cash equivalents of the Group was approximately RMB57.6 million, as compared with that of approximately RMB27.6 million as at 31 December 2021.

For the Reporting Period, net cash used in operating activities was approximately RMB12.9 million, as compared to the net cash used in operating activities of approximately RMB33.1 million for the Corresponding Period. For the Reporting Period, net cash used in investing activities was approximately RMB4.4 million as compared to the net cash from investing activities of approximately RMB3.9 million for the Corresponding Period. For the Reporting Period, net cash from financing activities was approximately RMB46.5 million, as compared to the net cash from financing activities of approximately RMB40.5 million for the Corresponding Period.

## CAPITAL MANAGEMENT

The Group regularly reviews and manages its capital structure to ensure that the Group will be able to continue as a going concern while maximising the return to its shareholders (the "Shareholders") through optimisation of the debt and equity balance. The Group's overall capital management strategy remained unchanged throughout the Reporting Period.

The gearing ratio (defined as overall financing divided by total equity) of the Group at the end of the Reporting Period and the Corresponding Period were as follows:

	As at 31 December	
	2022	2021
	RMB	RMB
Total equity	203,071,835	207,221,602
Overall financing		
– Bank and other borrowings	118,345,666	78,920,132
Gearing ratio	58.3%	38.1%

At the end of the Reporting Period, the gearing ratio of the Group was approximately 58.3%, which represents an increase as compared to approximately 38.1% at the end of the Corresponding Period. The gearing level was not higher than other leasing companies of the same industry and the Group is prudent to safeguard its capital base and may only maintain the gearing position to a reasonable level.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group had 78 full-time employees, as compared with 44 full-time employees as at 31 December 2021. Total staff costs, including Directors' remuneration, was approximately RMB8.8 million for the Reporting Period, as compared with that of approximately RMB11.5 million for the Corresponding Period. At the beginning of the Reporting Period, the Group began to reduce the number of sales staff in direct sales stores and business development staff, in order to save the Group's operating costs. Around the end of the Reporting Period, the Group recruited new staff for its future business development. The Group believes that employees are one of its most important assets and has been recruiting individuals based on merits. Remuneration package offered to all employees is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The remuneration of the Directors is determined based on, among others, the prevailing market conditions and his/her roles and responsibilities. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills. The Group has adopted the share option scheme to recognise and reward the contribution of selected participants to the Group, including the employees of the Group. Further details of the share option scheme are set out in the Directors' Report of this annual report.

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: nil).

## PLEDGE OF ASSETS

	As at 31 December	
	2022	2021
	RMB	RMB
Receivables arising from sale and leaseback arrangements	<b>110,583,547</b>	79,647,664

## Restrictions on Assets

These lease receivables were pledged to independent financial institutions, as at 31 December 2022 and 2021, to secure the Group's certain other borrowings. As at 31 December 2022, no lease liabilities were recognised.

## SIGNIFICANT INVESTMENT

During the Reporting Period, the Company did not have any significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at the date of this annual report.

## CAPITAL COMMITMENTS

As at 31 December 2022, the Company had no capital commitments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EVENTS AFTER THE REPORTING PERIOD

After the Reporting Period, Metropolis International Finance Leasing Co., Ltd.\* (信都國際融資租賃有限公司) (“Metropolis Leasing”), an indirect wholly-owned subsidiary of the Company, entered into the factoring agreements with each of the following customers, pursuant to which Metropolis Leasing has agreed to provide accounts receivable factoring facility to the relevant customers, the details of which are set out below:

Date	Customer	Factoring principal amount	Date of announcement
4 January 2023	Customer A	up to approximately RMB3,000,000 for the factoring period	4 January 2023
21 February 2023	Customer B	up to approximately RMB4,750,000 for the factoring period.	21 February 2023
21 February 2023	Customer C	up to approximately RMB4,750,000 for the factoring period.	21 February 2023
21 February 2023	Customer D	up to approximately RMB4,750,000 for the factoring period.	21 February 2023
1 March 2023	Customer E	up to approximately RMB4,750,000 for the factoring period.	1 March 2023

On 15 February 2023, a loan agreement was entered into between Metropolis Leasing as lender, and a borrower, an independent third party, pursuant to which Metropolis Leasing has agreed to grant a secured loan to the borrower in the principal amount of RMB4,600,000 for a term of six months. For further details, please refer to the announcement of the Company dated 15 February 2023.

## 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.

## DIVIDEND

The Company has not paid out and the Directors do not recommend the payment of any final dividend for the Reporting Period.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Chau David (alias DAVID CHAU) (周大為)**, aged 38, is the Chairman, chief executive officer and an executive Director, a controlling Shareholder and the founder of the Group. Mr. Chau was appointed as the Director on 29 June 2017 and was re-designated as an executive Director on 8 March 2018. Mr. Chau is primarily responsible for the overall corporate strategies, management and business development of the Group.

Mr. Chau is the founder of the Group. Based on when he first founded the Group in 2009, he has over 14 years of experience in finance services, focusing on vehicle finance leasing and has been a key driver of the Group's business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Mr. Chau is currently a director of Metropolis Asia Ltd., a director of Metropolis International Investment Holding (Hong Kong) Company Limited ("Metropolis Hong Kong") and a director and legal representative of Metropolis International Finance Leasing Co., Ltd.\* (信都國際融資租賃有限公司) ("Metropolis Leasing"). He has been the legal representative of Xin You (Cangzhou) Real Estate Development Co., Ltd\* (信友(滄州)房地產開發有限公司) ("Xin You"), which engages in property development since August 2010. Prior to founding the Group, Mr. Chau was a chief executive officer and an art director of Shanghai Hwa's Cultural Development Co., Ltd.\* (上海華氏文化發展有限公司) ("Shanghai Hwa's"), an artwork trading company, from November 2007 to September 2009. Through participating in the daily operation and management of Shanghai Hwa's and further developing the operation scale of Shanghai Hwa's, he accumulated knowledge and experience in business and management.

Mr. Chau obtained a Bachelor of Arts degree from the University of British Columbia in Canada in November 2007.

Mr. Chau David is the cousin of Ms. Zhou Hui, an executive Director and chief operation officer of the Company, and the son of Ms. Chau On, a non-executive Director.

**Ms. Zhou Hui (周卉)**, aged 40, is an executive Director and the chief operation officer. Ms. Zhou was appointed as the Director on 29 August 2017 and was re-designated as an executive Director on 8 March 2018. Ms. Zhou joined the Group as a vice president in September 2010. She is primarily responsible for risks management and compliance of the Group.

Ms. Zhou has more than 16 years of experience in risks management of which she has eight years of experience in vehicle finance leasing sector. Prior to joining the Group, Ms. Zhou worked as a tax associate in Deloitte Touche Tohmatsu from August 2006 to March 2007 and deputy manager of risk management, responsible for risk control and assessment, in Bank of East Asia (China) Limited from March 2007 to September 2010. She has been the legal representative of Shanghai Junyu Asset Management Company Limited\* (上海君御資產管理有限公司) which engages in asset management since October 2016.

Ms. Zhou obtained a bachelor's degree in commerce from the University of Otago in New Zealand in December 2005.

Ms. Zhou is the cousin of Mr. Chau David, the Chairman, chief executive officer, an executive Director and the controlling Shareholder of the Company, and the niece of Ms. Chau On, a non-executive Director.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## NON-EXECUTIVE DIRECTOR

**Ms. Chau On (周安)**, aged 67, is a non-executive Director. Ms. Chau was appointed as the Director on 29 August 2017 and was re-designated as a non-executive Director on 8 March 2018. She is primarily responsible for supervising the Board and providing strategic advice to the Board. She joined the Group in June 2009.

Ms. Chau is currently the director of Metropolis Hong Kong and a supervisor of Metropolis Leasing. Ms. Chau has more than 11 years of experience in the administrative field. She has been a director of Xin You, which engages in property development since May 2010.

Ms. Chau obtained a bachelor's degree in politics and education from Shanghai Normal University (currently known as East China Normal University\* (上海華東師範大學)) in January 1980.

Ms. Chau is the mother of Mr. Chau David, the Chairman, the chief executive officer, executive Director and a controlling Shareholder of the Company, and the auntie of Ms. Zhou, an executive Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lau Chung Wai (劉仲緯)**, aged 40, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the audit committee of the Board and member of the nomination committee and remuneration committee of the Board.

Mr. Lau has over 18 years of experience in accounting and finance. Prior to joining the Group, Mr. Lau had been working in Ernst & Young from September 2004 to September 2011 and his last position was manager of the assurance service team. He was a finance manager in a media company which is a subsidiary of Publicis Groupe SA, a company listed on the Euronext Paris (stock code: PUB.PA), from September 2011 to April 2013, and group financial controller of an enterprise engaging in the manufacturing of furniture and home decoration products in the PRC from May 2013 to July 2015. From August 2015 to March 2019, Mr. Lau was the chief financial officer and company secretary of Da Sen Holdings Group Limited (stock code: 1580), the shares of which are listed on the Main Board of the Stock Exchange. From March 2019 to April 2022, Mr. Lau worked as the chief financial officer of Kwung's Holdings Limited (stock code: 1925) ("Kwung's"), the shares of which are listed on the Main Board of the Stock Exchange. Since March 2019, Mr. Lau has been the company secretary of Kwung's. In June 2019, Mr. Lau was appointed as an independent non-executive director of Fufeng Group Limited (stock code: 546), the shares of which are listed on the Main Board of the Stock Exchange. In October 2021, Mr. Lau was appointed as an independent non-executive director of Hongcheng Environmental Technology Company Limited (stock code: 2265), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Lau obtained his bachelor of business administration in accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants ("HKICPA") in January 2014 and has become member and fellow of HKICPA since January 2008 and May 2015, respectively.

## BIOGRAPHICAL DETAILS OF DIRECTORS

**Mr. Mo Luojiang (莫羅江)**, aged 43, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the remuneration committee of the Board and member of the audit committee and nomination committee of the Board.

Mr. Mo has more than 19 years of experience in trading of petrochemical and agricultural products and financial services in the PRC. Mr. Mo joined Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) (stock code: 1103) (“Dasheng Agriculture Finance”), the shares of which are listed on the Main Board of the Stock Exchange, in July 2003 and was responsible for the preparation of the listing of Dasheng Agriculture Finance in Hong Kong and in charge of its business operation. Mr. Mo has served several positions at Dasheng Agriculture Finance, including its secretary of the board from July 2003 to July 2006 and from April 2012 to May 2013, its vice general manager from May 2006 to June 2013, its executive vice general manager from March 2007 to December 2010 and its executive director from May 2007 to June 2012 when Dasheng Agriculture Finance was listed on GEM. Mr. Mo has served as a chief executive officer and an executive director of Dasheng Agriculture Finance since May 2013 and June 2013, respectively, and he was appointed as the chairman of the board and the chairman of the nomination committee of Dasheng Agriculture Finance since April 2014. In December 2018, Mr. Mo has resigned from all positions in Dasheng Agriculture Finance and its subsidiaries. Since August 2020, Mr. Mo has served as the chief executive officer and the head of compliance risk control of Shanghai Ruixia Private Equity Fund Management Co., Ltd..

Mr. Mo is a director of Hong Kong Dasheng Agriculture Holding Company Limited (“Hong Kong Dasheng”), which is an investment holding company and a wholly-owned subsidiary of Dasheng Agriculture Finance pursuant to the interim report of Dasheng Agriculture Finance published on 28 September 2018. According to the public search made at the Companies Registry, on 11 September 2018, receivers and managers were jointly and severally appointed pursuant to a share charge entered into between Hong Kong Dasheng and a bank. Further, according to the public search made at the Companies Registry, it is noted that a form of notification of payment, satisfaction of debt, release from charge, etc., and a form of notice of cessation of appointment of receiver or manager were filed on 26 November 2018. According to searches conducted against Mr. Mo, no disqualification order has been made against Mr. Mo personally and no bankruptcy petition filed against Mr. Mo, and there was no record of any claim against him personally as a defendant in relation to Hong Kong Dasheng. Mr. Mo confirmed that he had not actively participated in the business operation of Hong Kong Dasheng. Mr. Mo confirmed that there was no wrongful act, fraud or irregularities on his part in leading to the aforesaid appointment of receivers and managers. Mr. Mo resigned as the director of Hong Kong Dasheng on 27th December 2018 and did not hold any positions in Hong Kong Dasheng since then.

Mr. Mo obtained a bachelor’s degree in management specialising in accountancy from Shanghai University of Finance and Economics in July 2003. Mr. Mo was awarded “The Excellence in Achievement of World Chinese Youth Entrepreneurs” issued by World Federation of Chinese Entrepreneurs Organisation in 2008.

## BIOGRAPHICAL DETAILS OF DIRECTORS

**Mr. Lin Peicong (林培聰)**, aged 46, was appointed as an independent non-executive Director on 30 March 2021. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the nomination committee of the Board and member of the audit committee and remuneration committee of the Board.

Mr. Lin has over 21 years' experience in the finance industry and has worked in various well-known investment banks and securities firms. Mr. Lin is currently the chief executive officer of Shun Heng Finance Holding (Hong Kong) Limited, which is principally engaged in providing securities trading, margin financing and asset management service. Mr. Lin obtained a bachelor's degree in economics from Xiamen University in 1999 and obtained a master's degree in business administration from the Hong Kong University of Science and Technology in 2004.

### COMPANY SECRETARY

**Ms. Lo Lok Ting Teresa (盧樂庭)** was appointed as the company secretary of the Company on 4 January 2022. Ms. Lo holds a bachelor degree in laws from The London School of Economics and Political Science and is a practising solicitor in Hong Kong in the field of commercial and corporate finance at Chiu & Partners.

\* *For identification purpose only*



# DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

## PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the Group is principally engaged in finance leasing (including finance lease and sale and leaseback arrangements), finance leasing advisory and factoring services in the PRC. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 December 2022.

## BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, and an analysis using financial key performance indicators can be found in the section headed "Management discussion and analysis" of this annual report set out on pages 5 to 23. The "Management discussion and analysis" section and the Environmental, Social and Governance Report forms a part of this Directors' report.

## PRINCIPAL RISKS RELATING TO THE GROUP'S BUSINESS

1. The Group's finance leasing business is concentrated in the lease of vehicles. Any decrease in use of vehicles in the PRC due to any change caused by external factors such as the adoption of new government's policies or a slowdown in PRC's economy could affect the general spending power of its people and could have an adverse effect on the Group's financial conditions, results of operation and growth prospects. The quarantine measures and travel restrictions imposed by the government to curb the spread of COVID-19 virus during the Reporting Period was an example of how the Group's business could be affected by the government's policies.
2. The Group depends on the continued efforts of its senior management team and other key employees for its success. They collectively possess a deep understanding of the Group's target industries, its customers and competitors and the relevant laws. Therefore, they play an important role in formulating and implementing appropriate strategies for the success of the Group. The loss of service of any of the Group's key management could impair the Group's ability to operate and make it difficult to implement its business and growth strategies.

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

As a finance leasing company, the Group does not involve in a business that will generate air, water and land pollutions which are regulated by the applicable laws and regulations in the PRC. The Group complies with the relevant laws and regulations in environmental protection. The Group continually seeks to identify and manages environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency.

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 decision with due care and attention.

## ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 86 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

The Company has adopted the dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to, among others, the discretion of the Board, the articles of association of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time.

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

## CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' rights to attend and vote at the forthcoming annual general meeting of the Company (the "AGM") which will be held on Wednesday, 10 May 2023, the register of members of the Company will be closed from 4 May 2023 to 10 May 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 3 May 2023 (Hong Kong time).

## SHARE CAPITAL

For the Reporting Period, there was no change in share capital of the Company and the total number of issued Shares remained at 960,000,000.

## DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company are set out in Note 36 to the consolidated financial statements. As at 31 December 2022, the Company's reserves available for distribution to equity holders, comprising the share premium and profit and total comprehensive income for the year, amounted to approximately RMB191.8 million.



# DIRECTORS' REPORT

## PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group for the Reporting Period are set out in Note 13 to the consolidated financial statements.

## DONATION

No charitable and other donations were made by the Group during the year ended 31 December 2022 (2021: nil).

## DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

### Executive Directors:

Mr. Chau David (*Chairman and Chief Executive Officer*)  
Ms. Zhou Hui

### Non-executive Director:

Ms. Chau On

### Independent non-executive Directors:

Mr. Lau Chung Wai  
Mr. Mo Luojiang  
Mr. Lin Peicong

In accordance with the amended and restated articles of association of the Company (the "Articles"), at each general meeting one-third of the Directors for the time being shall retire from office by rotation provide that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be eligible for to re-election at such annual general meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

The Directors have entered into service contracts or, as the case may be, appointment letters, with the Company for an initial term of three years commencing from the Listing Date, and their employments are subject to the rotation requirements under the Articles.

None of the Directors offering for re-election at the upcoming annual general meeting on 10 May 2023 has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 24 to 27 of this annual report.

## DIRECTORS' REMUNERATION

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2022 are set out in Note 10 to the consolidated financial statements of this annual report.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors required to be notified to the Company and the Stock Exchange, were as follows:

### 1. Interest in shares or underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Chau David (Note 2)	Interest in controlled corporation	600,000,000 (L)	62.5%

Notes:

- (1) The letter "L" denotes long position of the Shares.
- (2) Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.

# DIRECTORS' REPORT

## 2. Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares in the associated corporation (Note 1)	Approximate percentage of shareholding
Mr. Chau David (Note 2)	View Art Investment Limited	Beneficial owner	10 (L)	100%

Notes:

- (1) The letter "L" denotes long position of the Shares.
- (2) Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2022, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 December 2022, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

Name of shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
View Art Investment Limited (Note 2)	Beneficial owner	600,000,000 (L)	62.5%

Notes:

- (1) The letter "L" denotes long position of the Shares.
- (2) Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was conditionally adopted by resolutions in writing passed by the sole Shareholder on 23 November 2018. As at 31 December 2022, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

### (a) The purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

### (b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (i) any full-time or part-time employees, executives or officers of the Group;
- (ii) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of the Group; and
- (iii) any suppliers, customers, consultants, agents, advisers, franchisees, joint venture partners and related entities to the Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

## (c) Total number of Shares available for issue

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the GEM Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on GEM (i.e. as at 12 December 2018) (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). The maximum number of Shares that may be granted under the Share Option Scheme was 80,000,000 Shares, representing 8.3% of the total issued Shares as at the date of this annual report. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

## (d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

## **(e) Minimum period of holding an option and performance target**

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

## **(f) Basis of determining the exercise price**

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and (iii) the nominal value of the Shares.

## **(g) Time of acceptance and amount payable on acceptance of the option**

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

## **(h) Life of the Share Option Scheme**

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption (i.e. 23 November 2018). As at the date of this annual report, the Share Option Scheme had a remaining life of approximately five years.

The Company is aware that amendments were made to Chapter 23 of the GEM Listing Rules, which has come into effect on 1 January 2023, which include, among others, revising the scope of eligible participants of share option schemes and setting out the minimum vesting period requirements. The Company will only grant the share options in compliance with the amended Chapter 23 of the GEM Listing Rules and pursuant to the transitional arrangements for share schemes existing as at 1 January 2023 as specified by the Stock Exchange. Going forward, the Company will also consider to amend the Share Option Scheme so as to comply with the new requirements under Chapter 23 of the GEM Listing Rules, in any event not later than the refreshment or expiry of the scheme mandate; or to adopt a new share option scheme that comply with the requirements under the amended Chapter 23 of the GEM Listing Rules.

## **CONTRACTS OF SIGNIFICANCE**

Save as disclosed under the paragraph headed "Related party transactions" and note 34 to the consolidated financial statements, (i) no transaction, arrangement and contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022; (ii) no transaction, arrangement and contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2022; and (iii) no transaction, arrangement and contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2022.



# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2022, none of the Directors, the substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 December 2022.

## RELATIONSHIP WITH EMPLOYEES

The Group regards employees as its core assets and strive for good relationship with its employees. The company has adopted policies to make sure the employees can acquire competitive remunerations, good welfare and continuous professional training. Please refer to the paragraph headed "Employment and remuneration policy" on page 22 of this annual report for further details.

## RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group maintains a good and stable relationship with its customers, without whom the operation success will not be guaranteed. For the year ended 31 December 2022, the Group's five largest customers accounted for approximately 22.3% of its total revenue, while the largest customer accounted for approximately 9.2% of its total revenue.

At no time during the year ended 31 December 2022 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers. For the Reporting Period, the Group had no major suppliers due to the nature of its business.

## RELATED PARTY TRANSACTIONS

Details of the Group's material related party transactions are set out in Note 34 to the consolidated financial statements, and the transactions disclosed under Note 34 are connected transactions which are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

## ADVANCE TO ENTITY

Pursuant to Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. As set out in the Prospectus, the Group entered into finance leases with the following customer in the past few years which would give rise to disclosure obligation under Rule 17.15 of the GEM Listing Rules in the Prospectus, and this obligation continued to exist as at 31 December 2022:

1. In 2018, the Group entered into finance leases with a corporate customer ("Customer E"), which is an independent third party, in respect of sale and leaseback of vehicles. The aggregate net financing amount under such finance leases was approximately RMB46.1 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 22.7% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 36.0 months and Customer E would make either monthly or quarterly repayment to the Group. In 2020, the Group entered into a debt restructuring with Customer E, the aggregated net financing amount of such finance leases under the debt restructuring was approximately RMB52.14 million. The total contract yield of such finance leases under the debt restructuring was approximately 33.46% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases under the debt restructuring was approximately 66 months and Customer E would make monthly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer E exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Board considered that during the year up to the date of this annual report, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, save for code provision C.2.1 of the Corporate Governance Code. For details, please refer to the "Corporate Governance Report" on pages 39 to 52 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

# DIRECTORS' REPORT

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

## INDEPENDENT AUDITORS

The Company has appointed Mazars CPA Limited as the auditor of the Company with effect from 17 July 2020 to fill the casual vacancy due to the retirement of Deloitte Touche Tohmatsu.

Mazars CPA Limited acted as auditors of the Company for the Reporting Period. The consolidated financial statements for the Reporting Period have been audited by Mazars CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution to re-appoint Mazars CPA Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM. Save as the above, there has been no other change in auditor of the Company in the preceding three years.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on GEM of the Stock Exchange. The Group's operations shall comply with relevant laws and regulations in the PRC and Hong Kong. For the Reporting Period, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong in all material respects.

## BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

For further details, please refer to the paragraph headed "Capital management" under "Management discussion and analysis" on page 21 of this annual report.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he/she shall or may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out and maintained appropriate Directors' liability insurance coverage for the Directors.

On behalf of the Board

**Chau David**

*Chairman, chief executive officer and executive Director*

Hong Kong

21 March 2023

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's annual report for the Reporting Period.

## A. CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, and the Company has adopted the CG Code as its own code of corporate governance.

The Board is of the view that, for the Reporting Period, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the CG Code, except for the deviation from code provision C.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

## B. CORPORATE CULTURE

The Group recognises that a good corporate culture is vital to its corporate governance and has gradually developed a pragmatic and prudent corporate culture since its establishment, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group. The Group believes that a corporate culture of high integrity is the key to its continued success, therefore the Group values the importance of anti-corruption work. In order to establish a healthy corporate culture and promote high ethical standards within the Group, the Group has established an anti-corruption and whistle-blowing mechanism, which set outs, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) responsibilities of the relevant department(s) of the Group; (iii) consequences for breaching the relevant policies; and (iv) whistle-blowing mechanism, with an aim to allow all employees to report anonymously on any possible improprieties, misconducts, malpractices, or irregularities to the Group, so as to build an incorruptness and transparent corporate culture, facilitate the establishment of a good image of the Group and strengthen the sense of recognition and trust of all stakeholders of the Group.

## C. COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") as its code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the "Securities Dealing Code"). Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code for the Reporting Period.

# CORPORATE GOVERNANCE REPORT

## D. BOARD COMPOSITION

The Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors, who together, bring the skills, experience and diversity the Company needs to meet its long-term objectives. During the Reporting Period and up to the date of this annual report, the Directors are:

### Executive Directors:

Mr. Chau David (*Chairman and Chief Executive Officer*)  
Ms. Zhou Hui

### Non-executive Director:

Ms. Chau On

### Independent non-executive Directors:

Mr. Lau Chung Wai  
Mr. Mo Luojiang  
Mr. Lin Peicong

The biographical details of the Directors are set out in the section headed with “Biographical details of the Directors” from pages 24 to 27 of this annual report. Save as disclosed in the section “Biographical details of the Directors” in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

## E. RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

The Board is principally responsible for overall leadership and control of the Company and oversees the Group’s businesses, overall strategic decisions and performance, approving the financial statements and annual budgets, and is collectively responsible for promoting the long-term success of the Company by directing and supervising its affairs. The Board ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders.

Our Company’s day-to-day management and operational decisions are made by the Group’s executive Directors and senior management, who are experienced in managing the Group’s business. The three independent non-executive Directors bring independent judgment to the decision-making process of the Board.

All Directors, including the non-executive Director and 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 Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company’s expenses for discharging their duties to the Company. Independent non-executive Directors are invited to serve on the audit committee, remuneration committee and nomination committee of the Board.

The Board is also responsible for the corporate governance functions under code provision A.2.1 of the CG Code.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

## F. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chau David is the Chairman and also the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since its establishment. Having considered the nature and extent of the Group's operations, and Mr. Chau David's in-depth knowledge and experience in the leasing services, in particular vehicle finance leasing market and familiarity with the operations of the Group which is beneficial to the management and business development of the Group, and all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Chau David taking up both roles. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## G. BOARD INDEPENDENCE

Pursuant to code provision B.1.4 of the CG Code, the Board established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) to discourage to re-elect long-serving independent non-executive Directors; (iii) the number of independent non-executive Directors must comply with the requirement under the GEM Listing Rules; and (iv) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

During the Reporting Period, the Board at all times complied with Rules 5.05 and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Pursuant to code provision E.1.9 of the CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive Directors were not granted equity-based remuneration up to the date of this annual report.

# CORPORATE GOVERNANCE REPORT

The Company has received the written confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the GEM Listing Rules.

## H. TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date unless either party terminate the service contract by giving to the other party not less than three months' notice in writing. The non-executive Director and each independent non-executive Director has entered into an appointment letter with the Company with a term of three years with effect from the Listing Date.

Pursuant to article 108(a) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election.

Pursuant to article 108(b) of the Articles, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to article 112 of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of the Company after his appointment and be eligible for re-election at such annual general meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such annual general meeting.

## I. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. For the Reporting Period, all the Directors (namely Mr. Chau David, Ms. Zhou Hui, Ms. Chau On, Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lin Peicong) have participated in continuous professional development by self-study of materials and/or attending training sessions on topics related to corporate governance and regulations.

## J. DIRECTORS' ATTENDANCE RECORDS

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	Annual General Meeting <sup>(Note)</sup>
<b>Executive Directors</b>					
Mr. David Chau (周大為)	6/6	N/A	N/A	N/A	1/1
Ms. Zhou Hui (周卉)	6/6	N/A	N/A	N/A	1/1
<b>Non-executive Director</b>					
Ms. Chau On (周安)	6/6	N/A	N/A	N/A	1/1
<b>Independent non-executive Directors</b>					
Mr. Lau Chung Wai (劉仲緯)	5/6	5/5	1/1	1/1	1/1
Mr. Lin Peicong (林培聰)	6/6	5/5	1/1	1/1	1/1
Mr. Mo Luojiang (莫羅江)	6/6	5/5	1/1	1/1	1/1

To supplement the formal Board Meetings, the Chairman held regular gatherings with Directors to consider issues in an informal settings. The Chairman also held meetings with the independent non-executive Directors without the presence of other Directors.

Note: The annual general meeting of the Company was scheduled to be held on Tuesday, 10 May 2022 in Shanghai. However, due to the city-wide lockdown measures in Shanghai in place, which were implemented to contain the outbreak of local COVID-19 cases in Shanghai caused by the divergent variants of COVID-19, the Shareholder(s) and their proxy(ies) were not able to attend such annual general meeting in person due to the restrictions on movement. Under such circumstance, an adjourned annual general meeting of the Company was held on Tuesday, 17 May 2022 in Hong Kong. For further details, please refer to the announcement of the Company dated 10 May 2022.

## K. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"), for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the three Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Company's shareholders upon request.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

The Audit Committee was established on 23 November 2018 with its defined written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. As at 31 December 2022 and the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Chung Wai (Chairman of the Audit Committee), Mr. Mo Luojiang, with Mr. Lin Peicong.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and play a key oversight role on the financial reporting system, and risk management and internal control systems of the Company and review its efficiency and effectiveness.

Five meetings had been held by the Audit Committee during the Reporting Period. The committee members attended to review the annual financial results announcement and report of the Company for the year ended 31 December 2021, the quarterly financial report for the three months ended 31 March 2022, the interim financial report of the Company for the six months ended 30 June 2022, and the quarterly financial report for the nine months ended 30 September 2022, 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.

## Nomination Committee

The Nomination Committee of the Board was established on 23 November 2018 with its defined written terms of reference in compliance with the CG Code. As at 31 December 2022 and the date of this annual report, the Nomination Committee comprises three independent non-executive Directors, namely Mr. Lin Peicong (Chairman of the Nomination Committee), Mr. Mo Luojiang, with Mr. Lau Chung Wai.

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board at least annually, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

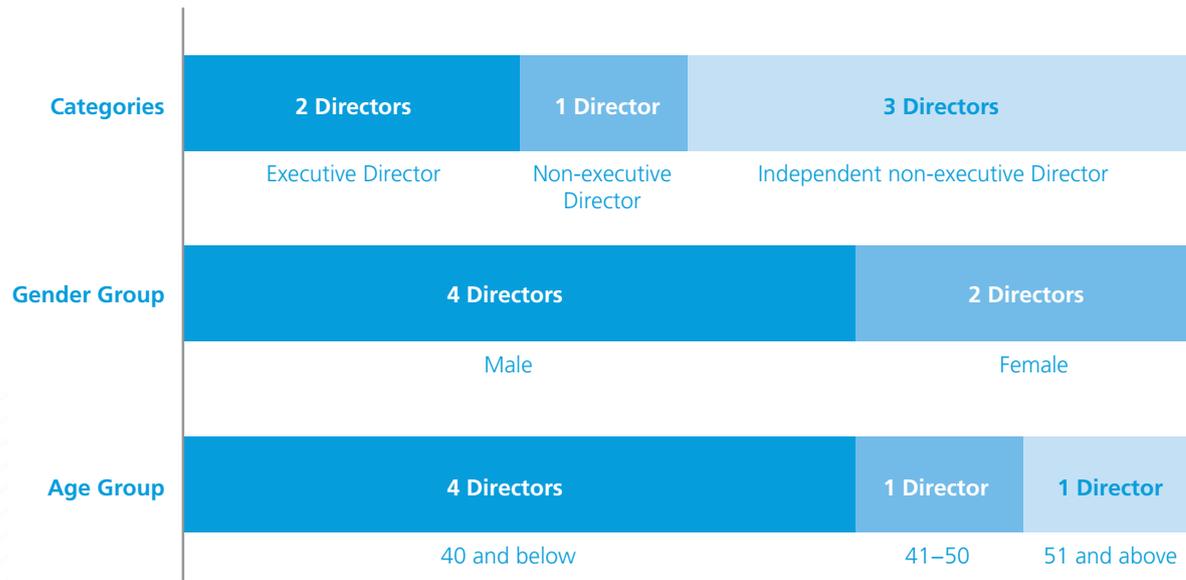
One meeting had been held by the Nomination Committee during the Report Period to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

In assessing the structure, size, composition and diversity of the Board, the Nomination Committee takes into account various aspects set out in the board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The Nomination Committee agrees on measurable objectives for achieving diversity on the Board as set out in the board diversity policy, where necessary, and recommends them to the Board for adoption.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. Under the board diversity policy, the Company sets the target of appointing at least one director of different gender at any given time in order to achieve a female representation in the Board.

# CORPORATE GOVERNANCE REPORT

The Board will review the progress of the board diversity policy to ensure its effectiveness on an annual basis. Expertise and skills of the Directors include financial services, risk management and trading of petrochemical and agricultural products, etc.. The Nomination Committee considers that the Board is sufficiently diversified.



Note: The information is as of 31 December 2022.

The Board has also adopted a nomination policy (“Nomination Policy”). A summary of the Nomination Policy is disclosed below:

## 1. Objective

The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the nomination committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group’s businesses.

## 2. Selection criteria

The selection criteria specified in the Nomination Policy include:

- commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;
- reputation for integrity;
- accomplishment and experience in the relevant industry(ies);
- effectiveness in carrying out the responsibilities of the Board; and
- diversity in all its aspects as set out in the board diversity policy of the Company.

# CORPORATE GOVERNANCE REPORT

These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

### **3. Nomination procedures**

- (i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- (ii) Until the publication of circular to the Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- (iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.
- (iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

### **4. Review of the Nomination Policy**

The nomination committee of the Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The nomination committee of the Board will discuss any revisions that may be required.

### **Remuneration Committee**

The Remuneration Committee of the Board was established on 23 November 2018 with its defined written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. As at 31 December 2022 and the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Mo Luojiang (Chairman of the Remuneration Committee), Mr. Lau Chung Wai, with Mr. Lin Peicong.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

One meeting had been held by the Remuneration Committee during the Reporting period to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters.

## L. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 81 to 85 of this annual report.

# CORPORATE GOVERNANCE REPORT

## M. AUDITOR'S REMUNERATION

During the year ended 31 December 2022, the remuneration payable/paid to the Company's external auditors, Mazars CPA Limited, is set out below:

Type of Services	Amount of Fees Payable/Paid RMB
Audit services	1,375,000

## N. RISK MANAGEMENT AND INTERNAL CONTROLS

As a finance leasing 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, among others, comprehensive due diligence on the customer, independent information review and multi-level approval process. The risk management measures of the Group are integrated with every stage of its finance lease operations, from the pre-lease investigation, credit assessment, lease approval to management of finance lease.

For vehicle finance leasing business, the Group also adopt the e-leasing system to manage each customer's portfolio effectively by controlling the overall vehicle finance leasing operation in our internal system and the GPS online system to keep track of the location of the leased vehicles. The Group would continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to changes in the market conditions and regulatory environment.

The Group embraces the benefits brought by technology innovation and commits to more resource inputs into enhancing its risk control capabilities. During the Reporting Period, the Group deployed resource to improve its information management system, aiming at modifying the business operation procedures in line with the new business developments and innovations.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss. The senior management of the Group is responsible for formulating the risk management strategies and policies for the approval by the Board. Upon approval by the Board, they are also responsible for approving risk management execution plans.

The city-wide lockdown measures in Shanghai throughout the Reporting Period brought huge pressure to the Group as its clients were affected adversely due to the restrictions imposed. During the lockdown period, post-loan management (mainly including loan tracking inspection, credit risk supervision and early warning, loan principal and interest recovery, non-performing credit asset management and credit file management, etc.) was adversely affected. However, with the PRC's COVID-19 response moving into a new phase and policies continuing to be implemented fully and meticulously, work and life are expected to resume back to normal at a faster pace, the management continued to conduct an internal assessment and took measures to ensure the safety of its assets portfolio. Since December 2022, COVID-19 restrictions has been relaxed in the PRC. According to the National Health Commission of the PRC, as of January 2023, the overall COVID-19 situation in the PRC has entered a low level, nevertheless, the management will continue to monitor the business environment on an ongoing basis and to review the risk management policy regularly in order to strive for the best risk control practice in place. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations.

The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system.

## Handling and dissemination of inside information

The Company has developed the Information Disclosure Management System (《信息披露管理制度》) which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

## O. COMPLIANCE OFFICER

Ms. Zhou Hui, an executive Director, has been designated as the Compliance Officer of the Group to oversee all compliance matters.

## P. NON-COMPETITION UNDERTAKING

Each of Mr. Chau David and View Art Investment Limited, being the controlling shareholders of the Company (as defined under the GEM Listing Rules), entered into a non-competition undertaking with the Company with effect from the Listing Date (the "Non-competition Undertaking"). Please refer to the Prospectus for additional information on the Non-competition Undertaking.

Each of Mr. Chau David and View Art Investment Limited has confirmed compliance with the terms of the Non-competition Undertaking during the Report Period. All the independent non-executive Directors are of the view that Mr. Chau David and View Art Investment Limited have been in compliance with the Non-competition Undertaking in favour of the Company.

# CORPORATE GOVERNANCE REPORT

## Q. COMPANY SECRETARY

Ms. Lo Lok Ting Teresa was appointed as the company secretary of the Company with effect from 4 January 2022. Her primary contact person at the Company is Ms. Zhou Hui, an executive Director. Ms. Lo has complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules during the Reporting Period.

Biographical details of the company secretary of the Company is set out in the section headed “Biographical details of the Directors” of this annual report.

## R. SHAREHOLDERS’ RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information. The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, to communicate with them/answer their enquiries, and encourage their participation.

To promote effective communication, the Company maintains a website ([www.metropolis-leasing.com](http://www.metropolis-leasing.com)), where up-to-date information and updates on the Company’s financial information, corporate governance practices and other information are available for public access.

To safeguard shareholders’ interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules, and poll results will be published on the websites of the Company and GEM after each general meeting.

## S. PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meeting may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not higher than 10% of the voting rights (on a one vote per Share basis) in the issued share capital of the Company pursuant to article 64 of the Articles. Such requisition must be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## T. PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures of which are available on the Company's website ([www.metropolis-leasing.com](http://www.metropolis-leasing.com)).

## U. PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETING

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

## V. PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

Address: Room 7003A  
887 Huai Hai Zhong Road  
Huangpu District  
Shanghai  
The People's Republic of China

Attention: Board of Directors

Tel: (86) 21 6474 7900

Fax: (86) 21 6474 9701

Email: [ir@metropolis-leasing.com](mailto:ir@metropolis-leasing.com)

# CORPORATE GOVERNANCE REPORT

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address: 17/F  
Far East Finance Centre  
16 Harcourt Road  
Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

## W. CONSTITUTIONAL DOCUMENTS

At an adjourned annual general meeting of the Company held on 17 May 2022, the adoption of an amended and restated memorandum and articles of association of the Company (the "New M&A") was approved by the Shareholders. A number of amendments were made to, among others, (i) bringing the memorandum and articles of association of the Company into line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022, and (ii) allowing general meetings to be held as hybrid meetings or electronic meetings which the Shareholders may attend by electronic means in addition to physical meetings which the Shareholders may attend in person. For details of the amendments, please refer to Appendix III to the circular of the Company dated 31 March 2022. The New M&A (in both English and Chinese) is available on the websites of both the Company and the Stock Exchange.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

This Environmental, Social and Governance Report (the “ESG Report”) serves the purpose of summarising the Environmental, Social and Governance (“ESG”) initiatives, plans and performance of Metropolis Capital Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “we”), as well as demonstrating the Group’s commitment towards sustainable development.

The Group is committed to developing sustainability in accordance with the ESG management principles and is committed to effectively and responsibly handling the Group’s ESG issues as a core part of our business strategy since we believe this is the key to our continued success in the future.

## REPORTING PERIOD

The ESG Report presents the Group’s ESG performance for the year ended 31 December 2022 (the “Reporting Period” or “2022”).

## REPORTING SCOPE

The ESG Report covers the Group’s business activities in the Shanghai headquarters, where the Group carries out its principal business of finance leasing, finance leasing advisory and factoring services. The scope of this ESG Report is consistent with that for the year ended 31 December 2021 (“2021”).

The scope of the ESG Report was determined by considering the influence of the Group’s operations on sustainable development. The Group believes the reported areas collectively present a comprehensive picture of the Group’s overall ESG performance.

## REPORTING PRINCIPLES

The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

According to the ESG Reporting Guide, the following reporting principles were applied in the ESG Report:

Materiality	The Group regularly conducts materiality assessments to identify the material ESG issues to the Group’s business. By gathering the feedback of various stakeholder groups, the Group can have a better understanding of their concerns and expectations of the Group’s sustainable development. More information is stated in the sections “STAKEHOLDER ENGAGEMENT” and “MATERIALITY ASSESSMENT”.
Quantitative	To measure the effectiveness of ESG-related policies, the Group has adopted the ESG Reporting Guide, relevant guidelines published by the Stock Exchange and other international organisations, in measuring and presenting quantitative environmental and social key performance indicators (“KPIs”). Details of the standards used are described in the relevant sections of the ESG Report.
Balance	The ESG Report provides an unbiased picture of the Group’s ESG performance.
Consistency	The ESG Report adheres to a consistent set of reporting standards, methodologies for calculating data and presentation of KPIs to allow meaningful comparisons of related data over time.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## FEEDBACK

The Group values feedback from its stakeholders. If you have any questions or suggestions regarding the ESG Report or the Group's performance in sustainable development, please feel free to contact the Group via email at [ir@metropolis-leasing.com](mailto:ir@metropolis-leasing.com).

## CHAIRMAN'S STATEMENT

Dear valued stakeholders,

The board (the "Board") of directors (the "Directors") is committed in driving sustainable development in the Group's business operations. The Board has overall responsibility for the Group's ESG strategy and reporting, while both members of the Board and senior management supervise the ESG issues of the Group. The Board continuously monitors and reviews the key risks affecting the sustainability of the Group's business, such as the environmental, occupational health and safety and labour standards. The risk management and internal control frameworks provide a structured approach for the Board to formulate policies and ensure effective execution. More information about the Group's governance structure is stated in the section "GOVERNANCE FOR SUSTAINABILITY".

The Group continuously communicates with its stakeholders to understand their concerns and fulfil their expectations. During the Reporting Period, the Group distributed questionnaires to multiple stakeholders to collect their views on the sustainability issues of the Group. Their opinions help the Group to understand its ESG performance, assess the importance of different ESG-related issues and prioritise them. With reference to the stakeholders' opinions, the Board reviews the Group's sustainability strategies at least annually and, where appropriate, adjusts the Group's policies to live up to stakeholders' expectations while meeting the requirements of regulators.

Starting from 2021, the Group has set various ESG-related targets on relevant KPIs. The Board conducts an annual review to follow up the progress made on the Group's ESG-related targets. The Board makes full use of the available ESG data to compare the performance between different years. Aiming to achieve the targets, the Group strives to promote sustainability. Therefore, the Board believes the ESG-related targets can raise employees' awareness of ESG, drive behavioural changes and facilitate the incorporation of ESG initiatives into the Group's operational strategy.

On behalf of the Board, I would like to express my gratitude to my fellow Directors, the management team, all employees and stakeholders for their contributions to the Group's sustainable development.

### **David Chau**

*Chairman, chief executive officer and executive Director*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## GOVERNANCE FOR SUSTAINABILITY

The Group has established an environmental, social and governance task force (“ESG Task Force”) to promote a company-wide awareness of ESG issues. The ESG Task Force comprises senior management and general staff with adequate knowledge on ESG, its members come from different business departments of the Group, including the operational, human resources and finance departments. They are responsible for executing the Group’s ESG measures, collecting and analysing ESG data, preparing ESG reports, giving suggestions to the Board on ESG issues and reviewing ESG-related matters across the Group’s different departments. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

With the assistance of the ESG Task Force, the Board regularly reviews the materiality of the Group’s ESG issues and continuously monitors the Group’s ESG performance, risk and opportunities. The ESG Task Force holds meetings regularly to discuss the effectiveness of the Group’s policies and procedures and seek opportunities to improve the Group’s ESG performance. The ESG Task Force reports its findings to the Board at least annually so that the Board can look for solutions to manage the Group’s ESG risks and opportunities.

## STAKEHOLDER ENGAGEMENT

To understand and address the concerns of our stakeholders, we have been maintaining close communication with our key stakeholders, including but not limited to investors and shareholders, employees, customers, government and regulatory bodies, community and the public.

In the hope of sustainably creating a greater value for the community, formulating operational strategies and ESG measures, as well as improving our performance through cooperation with the stakeholders. Stakeholders’ expectations and concerns are collected and taken into consideration by utilising diversified key communication channels as shown below.

### Key Stakeholders

### Expectations and Concerns

### Communication Channels

#### Investors and shareholders

- Returns on investment
- Compliance operation
- Growth in corporate value
- Transparent and effective communication channels

- Annual general meetings
- Financial reports
- Announcements and circulars
- Investor conferences

#### Employees

- Protection of rights
- Occupational health and safety
- Remuneration and benefits
- Career development
- Humanity care

- Employee opinion surveys
- Suggestion boxes
- Employee newsletters and broadcasting
- Intranet

#### Customers

- Outstanding products and services
- Health and safety
- Contract fulfilment
- Operation with integrity

- Customer service centre and hotlines
- Customer feedback surveys
- Customer service managers

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Key Stakeholders

### Government and regulatory bodies

## Expectations and Concerns

- Compliance with national or local policies, laws and regulations
- Supporting local economic development
- Promoting local employment
- Tax payment in full and on time

## Communication Channels

- Regular work conferences
- Regular performance reports
- On-site inspections

### Community and the public

- Improvement in the community environment
- Charity participation
- Transparent information
- Social media platforms

- ESG reports

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community continuously.

## MATERIALITY ASSESSMENT

The management and employees in the ESG Task Force have participated in preparing the ESG Report. They have assisted the Group in reviewing its operations, identify key ESG issues and assess the importance of those relevant matters to our businesses and stakeholders. The Group has compiled a questionnaire with reference to the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following table presents the list of ESG issues and their materiality.

ESG Issues	Significance of Economic, Environmental and Social Impact		
	High Priority	Medium Priority	Low Priority
Pollution prevention and management		✓	
Waste disposal management		✓	
Resource management (electricity and water)		✓	
Green working environment	✓		
Responding actions to climate risks	✓		
Responsible employment practice	✓		
Safe working environment	✓		
Disaster contingency	✓		
Training and career development	✓		
Prevention of child labour and forced labour	✓		
Business partners management	✓		
Privacy protection	✓		
Integrity and anti-corruption practice	✓		
Quality of service provided	✓		
Corporate community responsibility	✓		

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

The Group recognises the importance of maintaining good environmental management and strives to protect the environment in order to fulfil our social responsibilities. The Group implements its Environmental, Social and Governance Policy (“ESG Policy”), which clearly states the Group’s guiding principles and methods to manage emissions, energy consumption and waste disposal throughout its daily operations. We are committed in promoting sustainability in terms of resource sustainability, operational sustainability and social sustainability. We aim to minimise the potential impacts of our business on the environment and society in which we operate to fulfil our corporate social responsibility.

In order to mitigate the direct and indirect environmental impacts caused by the Group’s operations, the Group strives to enhance its employees’ environmental protection awareness in their daily work practices and actively implements the Group’s environmental protection measures. Within our policy framework, we continually look for different opportunities to take environmentally friendly initiatives and enhance our environmental performance by reducing the use of energy and other resources.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to air and greenhouse gas (“GHG”) emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant laws and regulations include, but are not limited to, the Atmospheric Pollution Prevention and Control Law of the People’s Republic of China, the Environmental Protection Law of the People’s Republic of China, the Water Pollution Prevention and Control Law of the People’s Republic of China and the Solid Waste Environmental Pollution Prevention and Control Law of the People’s Republic of China.

#### **Air Pollutant Emissions**

As the Group does not own any vehicles or fuel consuming machines, the Group does not produce a significant amount of air pollutants during its business operation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## GHG Emissions

During the Reporting Period, the major sources of the Group's GHG emissions are energy indirect emissions generated from purchased electricity (Scope 2).

In 2021, the Group set a target of maintaining or reducing its total GHG emissions intensity in 2022, using approximately 0.24 tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e") per employee in the year ended 31 December 2020 ("2020") as the baseline. During the Reporting Period, the Group did not achieve this target. The Group has taken measures, such as encouraging its employees to turn off the electrical appliances at the end of every work day and maintaining air conditioning at around 25 degree Celsius. The Group will continue its commitment to reduce its GHG emissions.

The Group has set a target of maintaining or reducing its total GHG emission intensity for the year ended 31 December 2023 ("2023"), using approximately 0.43 tCO<sub>2</sub>e per employee in 2022 as the baseline. To pursue the GHG emissions reduction target, we would actively adopt electricity conservation and energy-saving measures to reduce the GHG emissions, such measures are described in the section "Energy Management".

During the Reporting Period, the Group's total GHG emissions intensity was approximately 0.43 tCO<sub>2</sub>e per employee, representing a year-on-year increase by approximately 22.86% from approximately 0.35 tCO<sub>2</sub>e per employee in 2021. The increase in the total GHG emissions intensity was mainly due to the increase in energy consumption in 2022.

The following table sets out the Group's GHG emissions:

Indicators <sup>1</sup>	Units	2022	2021
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	–	–
Energy indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	16.33	14.14
Total GHG emissions	tCO <sub>2</sub> e	16.33	14.14
Total GHG emissions intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	0.43	0.35

Notes:

- (1) GHG emissions data are presented in terms of tCO<sub>2</sub>e and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "Baseline Emission Factors for Regional Power Grids in China for 2019 Emissions Reduction Projects" published by the Ministry of Ecology and Environment of the People's Republic of China.
- (2) As at 31 December 2022, the Group had a total of 38 employees within the reporting scope (as at 31 December 2021: 40). These data are also used for calculating other intensity data.

## Sewage discharge

As a financial lease services provider, we did not generate a significant amount of sewage during the Reporting Period. The sewage generated by the Group is discharged directly to the regional sewage treatment facilities through the municipal sewage pipe network.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Waste Management

The Group adheres to the waste management principle and strives to properly manage waste generated from our business daily activities. Our waste management practices are in compliance with all relevant laws and regulations relating to environmental protection.

### *Hazardous Waste*

The Group is a financial lease services provider, so its business did not produce the production of material amounts of hazardous waste during the Reporting Period.

Although the Group does not generate significant amounts of hazardous waste, the Group has established guidelines on the management and disposal of hazardous waste. In case there is any hazardous waste produced, the Group must engage a qualified chemical waste collector to handle such waste in compliance with the relevant environmental laws and regulations.

### *Non-Hazardous Waste*

Non-hazardous waste generated from the Group's daily business activity is mainly office paper and general waste.

In 2021, the Group set a target of recycling not less than 80% of its office paper from 2022 onwards. During the Reporting Period, the Group did not achieve this target. The Group has taken measures, such as cherishing resources to avoid waste of materials and using double-sided printing as much as possible. The Group will continue its commitment to reduce its waste generation.

The Group has set a target of maintaining or reducing its total non-hazardous waste intensity in 2023, using approximately 0.09 tonnes per employee in 2022 as the baseline. To pursue the waste reduction target, the Group would educate its employees on the significance of sustainable development and provide relevant support in order to enhance their skills and knowledge of sustainable development. With the aim of minimising the environmental impacts from non-hazardous waste generated from our business operations, we have implemented measures to handle such waste and launched different waste reduction initiatives. With such waste management approaches, we hope to embed the idea of environmental friendliness among our employees. Responsibilities of waste management in the office are shared between employees, and the following initiatives are implemented:

- utilise the online system in offices, conduct general transaction notification and data transmission through the network system to establish an electronic workflow;
- avoid printing and copying documents;
- use recycled paper for printing and copying;
- reduce the use of single-use disposable items; and
- reuse and recycle paper, envelopes, cartons and folders.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, “Environmental Information” reminders are posted on different office equipment to emphasise the importance of environmental protection to employees and to enhance their environmental awareness.

During the Reporting Period, the Group’s total non-hazardous waste intensity was approximately 0.09 tonnes per employee, representing a year-on-year decrease of approximately 10.00% from approximately 0.10 tonnes per employee in 2021. The decrease in the total non-hazardous waste intensity was due to the effective implementation of the Group’s waste reduction measures in 2022.

The following table sets out the Group’s non-hazardous waste generation:

Indicators	Units	2022	2021
Office paper	tonnes	0.43	0.51
General waste	tonnes	2.90	3.52
Total non-hazardous waste	tonnes	3.33	4.03
Total non-hazardous waste intensity	tonnes/employee	0.09	0.10

## A2. Use of Resources

The Group strives to optimise resource utilisation in our business operations and take initiatives to introduce measures on resource efficiency and adopt eco-friendly approaches in our operations. With regard to the electricity consumed in our daily business operations, the Group has established the ESG Policy to govern the use of resources in order to achieve higher energy efficiency and reduce the use of unnecessary resources.

### Energy Management

The major source of the Group’s energy consumption is electricity for daily operation.

In 2021, the Group set a target of maintaining or reducing its electricity consumption intensity in 2022, using approximately 0.42 MWh per employee in 2020 as the baseline. During the Reporting Period, the Group did not achieve this target. The Group has taken measures, such as encouraging its employees to turn off the electrical appliances at the end of every work day and maintaining air conditioning at around 25 degree Celsius. The Group will continue its commitment to efficient energy use.

The Group has set a target of maintaining or reducing its electricity consumption intensity in 2023, using approximately 0.73 MWh per employee in 2022 as the baseline. By implementing the measures as mentioned below, the management hopes the Group would be able to achieve its target set for 2023.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group would implement various energy-saving measures. The Group's energy-saving measures are as follows:

- use energy-saving equipment and electrical appliances in offices, and gradually replace outdated equipment with energy-certified equipment;
- require employees to turn on electrical equipment, such as lighting equipment, air conditioners, fans, etc. during business hours based on actual needs;
- encourage employees to turn off the power of electronic appliances when not in use or after work;
- set computers and other information and communication technology equipment to automatic standby mode or switch them off when not in use; and
- strengthen the maintenance and repair of equipment, maintain the electronic equipment at optimal state so as to use electricity efficiently.

Besides, the Group promotes the awareness of energy conservation and environmental protection to employees by posting power-saving slogans. Anomalies in electricity consumption will be investigated to find out the root cause and preventative measures will be taken.

During the Reporting Period, the Group's energy consumption intensity was approximately 0.73 MWh per employee, representing a year-on-year increase of approximately 21.67% from approximately 0.60 MWh per employee in 2021. The increase in the total energy consumption intensity was due to the increase in the need to use electricity in 2022.

The following table sets out the Group's energy consumption:

Indicators	Units	2022	2021
Direct energy consumption	MWh	–	–
Indirect energy consumption (Purchased electricity)	MWh	27.70	23.99
Total energy consumption	MWh	27.70	23.99
Total energy consumption intensity	MWh/employee	0.73	0.60

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Water Management

The Group's water consumption is mainly contributed by domestic water used in the office areas. As the Group's water consumption expenses are included in the property management fee, the Group did not have any water consumption record during the Reporting Period. Thus, the Group is unable to set any target with respect to water efficiency.

We will continue to encourage all employees to develop the habit of water conservation. We have been enhancing our water-saving promotion and posting water-saving reminders in the pantry and washrooms to constantly remind employees to consume water reasonably. The following are some of the measures we have implemented to increase water efficiency:

- remind employees to close faucets after using water to prevent water wastage and leakage;
- reduce water pressure to the lowest practicable level; and
- fix dripping taps to avoid further leakage and wastage.

As the Group's operations are mainly based in developed regions, the Group does not encounter any significant issue in sourcing water that is fit for purpose.

## Use of Packaging Material

The Group is a financial lease services provider, so the use of packaging material is not considered to be a material ESG aspect of the Group.

## A3. The Environment and Natural Resources

The Group's business operations have a limited impact on the environment and natural resources. However, the Group realises its responsibility in minimising any negative environmental impacts caused by its business operations and pursues the best practices for environmental protection. We have formulated the ESG Policy to control the potential impact of our business activities on the environment. When making strategic expansion and investment plans in the future, we will also consider the impact of business activities on the environment and natural resources into decision-making factors, properly assess environmental risks and take appropriate countermeasures to reduce the impact.

In addition to protecting the natural environment by complying with environmental regulations and international standards, the concept of environmental and natural resource protection is also integrated into the internal management and operation activities of the Group with the aim of achieving the goal of sustainable development.

## Working Environment

The Group is committed in providing employees with a comfortable and green working environment to enhance work efficiency. The Group is dedicated in keeping the office and public areas clean and tidy. From time to time, employee representatives will observe and inspect the condition of the living quarters and workspace, set up emergency plans in advance, and adopt prevention and control measures to identify problems and risks. The Group will deal with the identified problems and potential risks in time to maintain a sound working environment.

On the other hand, the Group regularly monitors and measures the indoor air quality of the workplace. The Group maintains indoor air quality by using air purification equipment in the workplace and regularly cleaning air-conditioning systems to filter pollutants and dust.

## A4. Climate Change

The Group acknowledges that climate change has been affecting its stakeholders, business operations and our community. To adapt and mitigate the effects of climate change, the Group has formulated the Climate Change Policy, which clarifies the Group's responses to different climate-related risks and helps to build resilience against climate change impacts. The Group has been closely monitoring the impact of climate change to mitigate these potential risks as follows during the Reporting Period:

### Physical Risks

For the acute physical risks, weather-related events such as typhoons and natural disasters may disrupt the business operation in the short term. A disruption to our business operations may cause a direct negative impact on our revenue. In order to minimise the disruptions to our business operation, the Group has adopted a set of contingency measures that are applicable to the most weather-related events. We have developed comprehensive typhoon and rainstorm arrangements to safeguard the safety of our employees under extreme weather conditions. The work arrangements included reporting for duty, early release from work, the resumption of work, and the special arrangements in respect of essential staff in situations of adverse weather. The Group also gives consideration as much as possible to the different situations faced by individual employees, such as their place of residence, the road and traffic conditions in the vicinity, and adopt a flexible approach with due regard to their actual difficulties and needs.

### Transition Risks

For transition risk, the Group may bear higher operating costs due to the potential regulatory change related to carbon reduction requirements. To manage the legal risks that may be brought along by the climate crisis, the Group has taken an array of actions. First, the Group constantly monitors any changes in laws or regulations. Second, the Group has sought compliance consulting services to reduce legal risks. Third, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing GHG emissions. By going beyond current compliance requirements, the Group has a better chance to adapt swiftly to regulatory changes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL

### B1. Employment

Human resources are a fundamental element to the development of the Group, and we perceive employees as the most valuable assets as they play an essential role in continuous innovation. The Group adheres to a people-oriented principle, respects and protects the legitimate rights and interests of each of our employees.

Employment policies have been formally documented into the Group's Employee Handbook, covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The management has deployed proper internal controls in its operating procedures so as to ensure compliance with the requirements as set out in the Employee Handbook. Meanwhile, it will monitor the latest updates in relevant laws and regulations regularly, and update the policy accordingly to ensure continuous compliance.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The relevant laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China.

#### **Recruitment, Promotion and Dismissal**

We adopt robust, transparent and fair recruitment processes based on merit selection against the job criteria applied. Recruitment of individuals is based on their suitability for the position and potential to fulfil the Group's current and future needs.

The Group specifies the basis and process for staff promotion. We offer internal promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their potential capability, provide platforms for career development, while simultaneously fulfilling the Group's needs of sustainable development. Also, the Group does not tolerate any unreasonable dismissal of employees, the dismissal process will only be carried out on a reasonable basis, and issues will be fully communicated before formal dismissal.

#### **Remuneration and Benefits**

The Group has established a fair, reasonable and competitive remuneration system that provides compensation to employees based on the principles of fairness, competition, incentives, rationality and legality. Employees' salaries consist basic salary, performance bonus and other bonuses and subsidies. Other remuneration package includes, but are not limited to, paid annual leave, maternity leave, compassionate leave, marriage leave, and funeral leave. In addition, the Group also takes macroeconomic factors, such as national policies and price standards, industry and regional salary levels, changes in the Group's development strategies, and its overall benefits into consideration when determining the extent of each employees' remuneration adjustment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group signs and executes labour contracts with all employees in accordance with the Labour Contract Law of the People's Republic of China. We also pay "five social insurance and one housing fund" for employees in mainland China in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, to ensure that employees are covered by social insurance.

## Diversity and Equal Opportunities

The Group is committed in creating and maintaining an inclusive and collaborative workplace culture in which everyone can thrive. We are dedicated to providing equal opportunities in all aspects of employment and maintaining workplaces that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. We also have zero tolerance for sexual harassment or abuse in the workplace in any form. Any employees who are intimidated, humiliated, bullied, or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and the Group will take serious approaches to investigate and resolve these issues upon receiving the said complaints.

## Our Workforce

As at 31 December 2022, the Group's Shanghai headquarters had 38 employees within the reporting scope (as at 31 December 2021: 40). The following table sets out the Group's number of employees within the reporting scope by gender, age group, employment type are as follows:

Indicators	As at 31 December 2022	As at 31 December 2021
Number of employees	38	40
<b>By gender</b>		
Female	24	24
Male	14	16
<b>By age group</b>		
Under 30 years old	6	14
30–40 years old	26	20
Over 40 years old	6	6
<b>By employment type</b>		
Full-time	37	39
Part-time	1	1

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Employee Turnover

The following table sets out the Group's number and rate of employee turnover by gender, age group and geographical region:

Indicators	2022	2021
Number and rate <sup>3</sup> (%) of employee turnover	16 (42.11%)	36 (90.00%)
<b>By gender<sup>4</sup></b>		
Female	8 (33.33%)	12 (50.00%)
Male	8 (57.14%)	24 (150.00%)
<b>By age group<sup>4</sup></b>		
Under 30 years old	7 (116.67%)	17 (121.43%)
30–40 years old	8 (30.77%)	18 (90.00%)
Over 40 years old	1 (16.67%)	1 (16.67%)
<b>By geographical region<sup>4</sup></b>		
Shanghai	16 (42.11%)	36 (90.00%)

Notes:

- (3) The calculation method of rate of employee turnover: (the total number of departures in the year ÷ the total number of employees at the end of the year) × 100%.
- (4) The calculation method of rate of employee turnover by category: (the number of departures in the category in the year ÷ the number of employees in the category at the end of the year) × 100%.

## B2. Health and Safety

The Group highly values employees' health and safety and is always committed in providing employees with a healthy, safe and comfortable working environment. We strive to eliminate potential workplace health and safety hazards and implement safety management measures in all aspects to ensure employees' health and safety during work. The Group has formulated safety policies for the prevention and remediation of safety accidents during work, which are formally documented in the Employee Handbook.

During the Reporting Period, the Group was not aware of any non-compliance with the health and safety-related laws and regulations that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Work Safety Law of the People's Republic of China and the Fire Protection Law of the People's Republic of China.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Zero Workplace Accidents

The Group's commitment to workplace safety is exemplified by no reported cases of work-related injuries during the Reported Period. During the Reporting Period, the Group had no lost days due to work injury (2021: Nil). No work-related fatalities occurred between 1 January 2020 and 31 December 2022.

## Internal Health and Safety Management System

The Group established an internal inspection system to ensure the health and safety of customers and employees during business operations. We have designed a health and safety review process to ensure that the workplace is under constant monitoring and that any deficiencies are identified and corrected in a timely manner. Representatives from the Group will inspect and review safety issues in the workplace regularly, and employees are encouraged to report health and safety incidents and risks whenever identified. We have also implemented health and safety measures aiming to maintain a safe working environment. Such measures include but are not limited to:

- require the use of a suitable ladder to reach items stored at high places;
- encourage employees to ask for assistance or use the right tools to raise heavy objects; and
- keep corridors and common areas clean and tidy.

In addition, the Group regularly communicates health and safety information to employees to enhance their awareness of occupational health and safety. At the same time, we provide medical examinations to our employees annually and provide them with medical treatment advice whenever necessary.

In response to the coronavirus disease 2019 ("COVID-19") pandemic, the Group has taken various actions to strengthen the precautionary measures in our offices to ensure the health of our employees. The Group has established the Epidemic Prevention and Control Manual with regard to COVID-19 for employees. Also, the Group has conducted additional sanitation procedures in its offices. Employees and client are required to have their temperature measured before entering the Group's premises, they are also required to wear a facial mask at all times.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Disaster Management

The Group understands that it is our responsibility to safeguard employees' health and safety. In view of that, we have developed a series of measures responding to natural disasters, such as typhoons, rainstorms and earthquakes. Some specific measures are as follows:

### *Typhoons and Rainstorms*

The Group has formulated a series of emergency procedures in guiding employees to prepare and respond to typhoons and rainstorms. The Group will prepare sandbags and pumps for emergency use before extreme weather events.

### *Fire Safety*

The Group has formulated fire safety systems in accordance with the Fire Protection Law of the People's Republic of China. The Group will provide training to employees in using fire equipment such as fire extinguishers, and conduct fire drills on a regular basis. Fire evacuation plans will also be evaluated regularly to ensure fire safety.

## B3. Development and Training

The valuable contribution of our talents is key to the continued success of the Group. Therefore, nurturing talents and polishing the skills of our human capital are important for not only striving for excellence but also supporting the sustainable growth of our business. This is achieved through the development of a training strategy that focuses on creating value and serving the needs of our customers, our talents and society.

Policies on personal development are established in our Employee Handbook, including different types of training for employees and training sponsorship.

## Training Programmes

The Group has established a training programme to provide more systematic and effective training for employees. Training programmes provided by the Group are divided into internal training and outsourced training.

Internal training is usually organised by the Personnel Administration Department, and such internal training covers many topics, including but not limited to, induction training and rotation training. Outsourced training is usually held by consultants or external training companies in the form of lectures, presentations, and visits. Such training covers training topics that aim to enhance the professionalism, industry knowledge, professional skills and productivity of employees. Employees will receive different training depending on their positions and the departments they belong to, so as to accomplish different training purposes and outcomes.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table sets out the average training hours completed per employee and percentage of employees trained by gender and employee category:

Indicators	2022	2021
Average training hours completed per employee <sup>5</sup> (hour(s)) and percentage of employees who received training <sup>6</sup> (%)		
<b>By gender</b>		
Female	0.3 (54%)	0.2 (38%)
Male	0.5 (46%)	0.5 (62%)
<b>By employee category</b>		
Senior management	0.5 (8%)	0.5 (8%)
Middle management	1 (46%)	0.4 (23%)
General staff	0.2 (46%)	0.3 (69%)

Notes:

- (5) The calculation method of the average training hours completed per employee by category: the total training hours of employees in the category ÷ the number of employees in the category.
- (6) The calculation method of the percentage of employees who received training by category: (the number of employees trained in the category ÷ the total number of employees who received training in the year) × 100%.

## B4. Labour Standards

### Prevention of Child and Forced Labour

Child and forced labour are strictly prohibited during the recruitment procedure as defined by laws and regulations. The Group has established a complete recruitment procedure to examine candidates' backgrounds and official reporting procedures to handle any exceptions. Personal data is collected during the employment process to assist in the selection of suitable candidates and to verify candidates' data. The Personnel Administration Department will also ensure identity documents, such as physical examination certificates, academic credentials, identity cards and account information, are carefully checked. If violations are involved, they will be dealt with in light of the circumstances.

Furthermore, employees of the Group working overtime are based on voluntary principles so as to avoid the violation of labour standards and safeguard the rights and interests of employees. To prevent any form of forced labour, a job description outlining the principal responsibilities of the employee is attached to the labour contract. The Group also prohibits any punitive measures, management methods and behaviours such as abusive punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) for any reason. At the same time, the Group also refrains from engaging suppliers and contractors that are involved in child labour or forced labour in their operations from providing administrative supplies and services for the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Personnel Administration Department regularly reviews the employment practices and guidelines on staff recruitment to ensure that the Group's recruitment process is in full compliance with the relevant laws and regulations relating to preventing child and forced labour.

If the responsible personnel identify the existence of child labour or forced labour within the Group, the work of such child labour or forced labour will be stopped immediately.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations relating to preventing child and forced labour. The relevant laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China.

## B5. Supply Chain Management

As a socially responsible enterprise, the Group attaches importance to the management of potential environmental and social risks in the supply chain. We have established measures and procedures to reduce risks associated with the economy, environment and society, and we are committed to building and maintaining close business relationships with our business partners.

The Group has formulated the Supplier Code of Conduct, which specifies the sustainable development practices that the Group expects its business partners and suppliers to adhere to, such as adopting energy-saving measures, and ensuring a fair and equal workplace.

### Business Partners Management

During the Reporting Period, the Group had no major suppliers due to the nature of its business (2021: Nil). As a financial lease services provider, we regard banks and other lenders as our suppliers.

In the procurement procedures, the Group selects supplier candidates according to the Supplier Code of Conduct. The Group strictly follows its procurement procedures to evaluate the business practices of its suppliers. During the procurement process, we evaluate suppliers on the basis of price, reputation, track record, willingness to deal with problems, customer service and quality of products and services. If the Group finds that a business partner or supplier violates the Supplier Code of Conduct, the Group will consider terminating its business relationship with the relevant business partner or supplier.

We expect suppliers to maintain high standards of business ethics. We communicate with suppliers and encourage them to use more environmentally friendly products and services. In the process of selecting and evaluating suppliers, we have incorporated environmental and social performance as evaluation criteria to identify environmental and social risks in the supply chain. For example, we will evaluate whether candidate suppliers comply with environmental laws and laws governing minimum wage remuneration. The Group maintains close contact with our business partners and meets regularly to share market information and to ensure compliance with local laws and regulations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group's business cooperation process is conducted in an open, fair and impartial manner. It will not discriminate against any business partners, and will not allow any corruption or bribery. Employees and other individuals who have any interests in relevant business partners will not be allowed to participate in the related business activities. The Group focuses on the integrity of its partners and will only select business partners who have a good track record in the past and who do not have any serious non-compliance or violation of business ethics.

The Group continues to monitor the policies implemented by the government. If the Group obtains information on environmentally friendly products or services from the government, the Group will adopt its recommendations to purchase goods and services with a relatively lower environmental impact throughout their life cycle where appropriate.

## B6. Product Responsibility

The Group actively safeguards the quality of our services with our internal control process. We also maintain ongoing communication with our customers to ensure the understanding and satisfaction of their demands and expectations. We aim to apprehend customers' needs and expectations and strive to continuously improve the quality of our products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group, concerning product health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. The relevant laws and regulations include, but are not limited to, the Advertising Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Patent Law of the People's Republic of China.

The Group is a financial lease services provider, so we do not have concerns regarding the total products sold or shipped subject to recalls for safety and health reasons.

### Customer Service

The Group values thoughts and opinions from every stakeholder, and we provide quality and warm service experience to customers through standardised service quality and management. We believe complaints serve as good opportunities to collect feedback from different stakeholders, therefore a set of procedures in handling customers' feedback or complaints has been established. All complaints from customers, suppliers and partners will be reviewed by the Group in accordance with internal procedures and guidelines, and relevant investigations will be conducted to resolve complaints. Follow-up measures and improvements will also be carried out accordingly.

During the Reporting Period, the Group did not receive any material complaints from clients (2021: Nil).

### Intellectual Property Rights

Staff are not allowed to install any unauthorised or unlicensed software on their working computers provided by the Group. We obtain authorisation in the use of computer software by licensed third parties and adhere to all applicable terms of use prior to utilisation of any properties.

The Group regularly evaluates whether the products and/or services of all its suppliers and partners infringe the intellectual property rights of any third parties. If any party is found to be infringing intellectual property rights, the Group will terminate the cooperation with the organisation.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Service Quality

The Group is committed in providing clear and unbiased information to our clients. Important information such as product features, terms and conditions, and any associated risks are communicated to clients through emails and telephones (with recording function) so they can make informed decisions. Clients who are interested in the Group's services are required to sign a client agreement form, acknowledging the terms and conditions along with the associated risks.

## Privacy Protection

The Group is determined to protect customers' data by handling them with the highest degree of confidentiality. Therefore, we have established strict policies for the collection and use of customers' data, which is formally documented in the Employee Handbook. The Group has also formulated security measures for data protection and encryption. All confidential data relating to the Group's business and customers' information are securely protected and are solely used for internal purposes. Any leakage of confidential information to third parties is strictly prohibited. The Group reviews the terms in relation to intellectual property rights as stated on the Employee Handbook to evaluate the effectiveness of the policies for the collection and use of customers' data.

## Advertising and Labelling

The Group is a financial lease services provider, so the business operation of the Group does not involve any advertising and labelling related matters.

## B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continued success, therefore we value the importance of anti-corruption work and are committed to building an incorruptness and transparent corporate culture. As stipulated in the Employee Handbook and the Administrative Measures on Anti-fraud, all employees are required to uphold business integrity, safeguard confidential information and take reasonable steps to avoid any conflict of interest.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to, the People's Republic of China Criminal Law, Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China.

There were no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period (2021: Nil).

The Group will not tolerate corruption in any form and has zero toleration for any corruption, fraud and all other behaviours violating work ethics. Moreover, employees are expected to cease engaging in any activities that involve bribery, extortion, fraud and money laundering. The Group also requires employees to make declarations to the Compliance Department for any direct or indirect interest in businesses that competes with the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We commit in raising employees' awareness through providing training on ethical conduct and anti-corruption to all employees and the directors of the Group. The Group provides anti-corruption training, which covers legal knowledge on anti-corruption and skills relating to anti-corruption in the workplace, to the Group's employees and directors at least once every year. During the Reporting Period, a total of 13 personnel (2021: 13), including directors and staff, received anti-corruption training and the total anti-corruption training hours was 13 hours (2021: 13 hours).

In addition, the Group has formulated a whistleblowing mechanism that allows all employees to report anonymously on any possible improprieties, misconducts, malpractices, or irregularities to the Audit and Supervision Department. Reports received will be handled in a prompt and fair manner. Such mechanism also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions, the identity of the whistle-blower will be kept strictly confidential where possible. To monitor the effectiveness of the whistleblowing mechanism, the Group reviews all reports received regularly and conducts investigations if any pattern of improprieties or alleged improprieties exist that need to be addressed.

## B8. Community Investment

As a socially responsible corporation, the Group is committed in serving the communities where it operates. The Group recognises the importance of the welling-being of the local communities to the continuous growth of its business. Therefore, the Group follows its ESG Policy to encourage its employees to take part in a wide range of community activities. The Group believes that by participating in community activities, it can increase employees' awareness of citizenship and build positive value.

The Group tries its best to undertake a wide range of philanthropic efforts as well as community initiatives that are catered to the needs of the communities where it operates. Focus areas of the Group's potential community initiatives include education, medical, health and elderly care.

During the Reporting Period, the Group did not contribute any resources to make community investment. However, the Group has actively considered spending money or time to benefit the community in the future.

## INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE (I)

Mandatory Disclosure Requirements	Sections
Governance Structure	CHAIRMAN'S STATEMENT GOVERNANCE FOR SUSTAINABILITY
Reporting Principles	REPORTING PRINCIPLES
Reporting Boundary	REPORTING SCOPE

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INDEX TABLE OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE (II)

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>		
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 GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1. Emissions
KPI A1.1	The types of emissions and respective emissions data.	A1. Emissions — Air Pollutant Emissions (not applicable and explained)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions — Waste Management (not applicable and explained)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A1. Emissions — Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	A1. Emissions — GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1. Emissions — Waste Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A2. Use of Resources — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A2. Use of Resources — Water Management (not applicable and explained)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2. Use of Resources — Use of Packaging Material (not applicable and explained)
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	A3. The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3. The Environment and Natural Resources

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	A4. Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	A4. Climate Change
<b>B. Social</b>		
<b>Aspect B1: Employment</b>		
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.	B1. Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	B1. Employment — Our Workforce
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	B1. Employment — Employee Turnover

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B2: Health and Safety</b>		
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.	B2. Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2. Health and Safety — Zero Workplace Accidents
KPI B2.2	Lost days due to work injury.	B2. Health and Safety — Zero Workplace Accidents
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2. Health and Safety
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	B3. Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	B3. Development and Training — Training Programmes
KPI B3.2	The average training hours completed per employee by gender and employee category.	B3. Development and Training — Training Programmes

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B4: Labour Standards</b>		
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 preventing child and forced labour.	B4. Labour Standards — Prevention of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards — Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards — Prevention of Child and Forced Labour
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management — Business Partners Management
KPI B5.1	Number of suppliers by geographical region.	B5. Supply Chain Management — Business Partners Management (not applicable and explained)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5. Supply Chain Management — Business Partners Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management — Business Partners Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management — Business Partners Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B6: Product Responsibility</b>		
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.	B6. Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility (not applicable and explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	B6. Product Responsibility — Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility — Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility — Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	B6. Product Responsibility — Privacy Protection

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Statement
<b>Aspect B7: Anti-corruption</b>		
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 bribery, extortion, fraud and money laundering.	B7. Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	B7. Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7. Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	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. Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	B8. Community Investment



## MAZARS CPA LIMITED

中審眾環(香港)會計師事務所有限公司

42nd Floor, Central Plaza,

18 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道18號中環廣場42樓

Tel 電話: (852) 2909 5555

Fax 傳真: (852) 2810 0032

Email 電郵: info@mazars.hk

Website 網址: www.mazars.hk

## To the shareholders of Metropolis Capital Holdings Limited

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

### OPINION

We have audited the consolidated financial statements of Metropolis Capital Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 86 to 169, which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other 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 financial position of the Group at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Loss allowances for expected credit loss (“ECL”) on finance lease receivables, receivables arising from sale and leaseback arrangements (together, the “Lease Receivables”), and factoring receivables</b></p>	
<p>At 31 December 2022, the Group held finance lease receivables, receivables arising from sale and leaseback arrangements and factoring receivables (net of loss allowances for ECL) of RMB26,834,135, RMB134,827,882 and RMB60,927,758, respectively. The loss allowances for ECL on finance lease receivables, receivables arising from sale and leaseback arrangements and factoring receivables were of RMB44,557,293, RMB10,252,918 and RMB642,763, respectively, at 31 December 2022, as disclosed in Notes 17, 18 and 20 to the consolidated financial statements.</p> <p>As disclosed in Note 2, in determining the loss allowances for ECL on the Lease Receivables and factoring receivables, the management of the Group assesses whether the credit risks on the Lease Receivables and factoring receivables have increased significantly since initial recognition, and whether the Lease Receivables and factoring receivables are credit-impaired and considers the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none"> <li>• enquiring the management to understand the Group’s process for estimating the loss allowances for ECL of the Lease Receivables and factoring receivables;</li> <li>• evaluating the design and implementation of key controls relating to estimate loss allowances for ECL on the Lease Receivables and factoring receivables;</li> <li>• evaluating the judgement made by the Group’s management in identifying the Lease Receivables and factoring receivables with significant increase in credit risk and credit-impaired Lease Receivables and factoring receivables;</li> <li>• reviewing lease and factoring agreements, on a sample basis, to understand relevant terms such as settlement schedules and checking the settlement records of the Lease Receivables and factoring receivables to bank slips, on a sample basis;</li> <li>• evaluating the reasonableness of the ECL model methodology and related parameters including the probability of default, value of the collaterals, loss given default and forward-looking information;</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>We identified the loss allowances for ECL on the Lease Receivables and factoring receivables as a key audit matter due to their significance to the consolidated financial statements, and the use of judgement by the Group's management in evaluating the loss allowances for ECL of the Lease Receivables and factoring receivables.</p>	<ul style="list-style-type: none"><li>• for credit-impaired Lease Receivables and factoring receivables, testing and challenging the reasonableness of the loss allowances for ECL with reference to the future estimated cash flows from the customers as prepared by the management of the Group, including the expected recoverable amount from the counterparties, guarantors, or realisation of collaterals held in supporting the computation of loss allowances for ECL, on a sample basis; and</li><li>• recalculating the loss allowances for ECL on the Lease Receivables and factoring receivables made by management of the Group.</li></ul>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2022 annual report of the Company 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.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of 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 HKSAAs 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 HKSAAs, 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 of the Company.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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.

### **Mazars CPA Limited**

*Certified Public Accountants, Hong Kong*

21 March 2023

The engagement director on the audit resulting in this independent auditor's report is:

### **She Shing Pang**

Practising Certificate number: P05510

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB	2021 RMB
Revenue			
— Finance lease income		5,141,369	9,720,358
— Interest income arising from sale and leaseback arrangements		25,333,653	18,645,479
— Finance leasing advisory service income		13,913,846	12,313,124
— Interest income arising from factoring arrangements		3,643,472	3,026,252
Total Revenue	5	<b>48,032,340</b>	43,705,213
Other income	6a	2,018,584	1,976,106
Other gains (losses), net	6b	720,698	(314,267)
Staff costs	8	(8,832,345)	(11,470,779)
Recognition of loss allowances on finance lease receivables and receivables arising from sale and leaseback arrangements (collectively, the "Lease Receivables"), net	17/18	(19,714,651)	(4,919,158)
Reversal (Recognition) of loss allowances on factoring receivables, net	20	492,356	(1,135,119)
Recognition of loss allowances on other financial assets measured at amortised cost, net	16	—	(232)
Other operating expenses	8	(17,813,957)	(17,144,007)
Finance costs	7	(14,830,637)	(9,547,449)
(Loss) Profit before tax	8	(9,927,612)	1,150,308
Income tax credit	9	5,777,845	1,139,772
(Loss) Profit and total comprehensive (loss) income for the year		<b>(4,149,767)</b>	2,290,080
(Loss) Profit and total comprehensive (loss) income for the year attributable to:			
— Owners of the Company		(3,636,279)	1,982,780
— Non-controlling interests	28	(513,488)	307,300
		<b>(4,149,767)</b>	2,290,080
		<b>RMB cent</b>	RMB cent
(Losses) Earnings per share attributable to owners of the Company			
— Basic and diluted	12	<b>(0.38)</b>	0.21

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		At 31 December	
	Notes	2022	2021
		RMB	RMB
<b>NON-CURRENT ASSETS</b>			
Property and equipment	13	3,293,713	3,690,123
Intangible assets	14	3,476,097	3,476,097
Finance lease receivables	17	10,703,054	36,338,398
Receivables arising from sale and leaseback arrangements	18	63,172,622	74,240,557
Factoring receivables	20	2,460,566	7,419,284
Deferred tax assets	27	8,737,819	3,490,112
		<b>91,843,871</b>	128,654,571
<b>CURRENT ASSETS</b>			
Loans to related parties	15	5,438,000	853,466
Prepayments, deposits and other receivables	16	14,494,658	8,705,013
Finance lease receivables	17	16,131,081	32,736,517
Receivables arising from sale and leaseback arrangements	18	71,655,260	56,624,552
Finance leasing advisory service receivables	21	1,052,756	2,513,511
Factoring receivables	20	58,467,192	23,856,014
Account receivables	19	20,891,670	12,320,929
Deferred expenses	19	12,996,774	11,700,183
Security deposits for other borrowings	25	32,507,278	39,631,036
Bank balances and cash	22	57,645,902	27,638,418
		<b>291,280,571</b>	216,579,639
<b>CURRENT LIABILITIES</b>			
Account payables	19	12,996,774	11,700,183
Other payables and accrued expenses	23	21,181,024	20,983,871
Deposits received from leasing customers	24	4,329,937	9,567,298
Deferred income	19	20,891,670	12,320,929
Bank and other borrowings	25	63,284,713	39,393,073
Tax payable		–	938,244
		<b>122,684,118</b>	94,903,598
<b>NET CURRENT ASSETS</b>		<b>168,596,453</b>	121,676,041
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>260,440,324</b>	250,330,612

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		At 31 December 2022	2021
	Notes	RMB	RMB
<b>CAPITAL AND RESERVES</b>			
Share capital	26	8,503,450	8,503,450
Reserves		<u>194,550,277</u>	<u>198,186,556</u>
Equity attributable to owners of the Company		<b>203,053,727</b>	206,690,006
Non-controlling interests	28	<u>18,108</u>	531,596
<b>TOTAL EQUITY</b>		<b><u>203,071,835</u></b>	<u>207,221,602</u>
<b>NON-CURRENT LIABILITIES</b>			
Deposits received from leasing customers	24	2,307,536	3,581,951
Bank and other borrowings	25	<u>55,060,953</u>	<u>39,527,059</u>
		<u>57,368,489</u>	43,109,010
		<b><u>260,440,324</u></b>	<u>250,330,612</u>

The consolidated financial statements on pages 86 to 169 were approved and authorised for issue by the Board of Director on 21 March 2023 and signed on its behalf by

**Mr. Chau David**  
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RMB (Note 26)	Share premium RMB	Merger reserve RMB	Other reserve RMB (Note (i))	Statutory surplus reserve RMB (Note (ii))	(Accumulated losses) Retained profits RMB	Sub-total RMB	Non-controlling interests RMB (Note 28)	Total equity RMB
At 1 January 2021	8,503,450	208,490,971	(138,043,162)	121,889,064	3,429,668	437,235	204,707,226	1,121,481	205,828,707
Profit and total comprehensive income for the year	-	-	-	-	-	1,982,780	1,982,780	307,300	2,290,080
Transactions with owners:									
Contributions and distributions									
Dividend paid to non-controlling interests (Note 28)	-	-	-	-	-	-	-	(897,185)	(897,185)
Transfer to statutory surplus reserve	-	-	-	-	272,652	(272,652)	-	-	-
Total transactions with owners	-	-	-	-	272,652	(272,652)	-	(897,185)	(897,185)
<b>At 31 December 2021 and 1 January 2022</b>	<b>8,503,450</b>	<b>208,490,971</b>	<b>(138,043,162)</b>	<b>121,889,064</b>	<b>3,702,320</b>	<b>2,147,363</b>	<b>206,690,006</b>	<b>531,596</b>	<b>207,221,602</b>
Loss and total comprehensive loss for the year	-	-	-	-	-	(3,636,279)	(3,636,279)	(513,488)	(4,149,767)
<b>At 31 December 2022</b>	<b>8,503,450</b>	<b>208,490,971</b>	<b>(138,043,162)</b>	<b>121,889,064</b>	<b>3,702,320</b>	<b>(1,488,916)</b>	<b>203,053,727</b>	<b>18,108</b>	<b>203,071,835</b>

Notes:

- (i) The other reserves represented the net effect of the following:
- the deemed capital contribution of shareholder's loans advanced from View Art (as defined in Note 1) to the Group totalling RMB131,831,735, which were not required to repay to View Art pursuant to the agreements entered into on 31 December 2014; and
  - net of the fair value adjustments on non-current interest-free loans previously advanced to Mr. Chau and related parties as deemed distribution in the total amount of RMB9,942,671.
- (ii) Pursuant to the articles of association of subsidiaries established in the People's Republic of China ("PRC"), it is required to appropriate at least 10% of their profit after tax in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owner each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB	RMB
<b>OPERATING ACTIVITIES</b>		
(Loss) Profit before tax	<b>(9,927,612)</b>	1,150,308
Adjustments for:		
Depreciation of property and equipment	<b>415,823</b>	424,973
Gain on disposal of property and equipment	<b>–</b>	(9)
Loss on write-down of property and equipment	<b>331</b>	–
Bank interest income	<b>(354,139)</b>	(83,509)
Other investment gain	<b>–</b>	(94,154)
Interest income from loan to a related party	<b>(188,000)</b>	–
Interest on bank and other borrowings	<b>14,257,810</b>	8,665,682
Imputed interest expenses arising from deposits received from leasing customers	<b>572,827</b>	881,767
Recognition of loss allowances on the Lease Receivables, net	<b>19,714,651</b>	4,919,158
(Reversal) Recognition of loss allowances on factoring receivables, net	<b>(492,356)</b>	1,135,119
Recognition of loss allowances on other financial assets measured at amortised cost, net	<b>–</b>	232
Exchange (gain) loss, net	<b>(768,773)</b>	366,459
	<hr/>	<hr/>
Operating cash inflow before movements in working capital	<b>23,230,562</b>	17,366,026
Decrease in finance lease receivables	<b>29,781,905</b>	35,714,627
Increase in receivables arising from sale and leaseback arrangements	<b>(11,218,549)</b>	(45,498,493)
Decrease (Increase) in finance leasing advisory service receivables	<b>1,460,755</b>	(2,513,511)
Increase in factoring receivables	<b>(29,160,104)</b>	(26,651,211)
(Increase) Decrease in account receivables	<b>(8,570,741)</b>	8,756,853
(Increase) Decrease in deferred expenses	<b>(1,296,591)</b>	3,877,875
(Increase) Decrease in prepayments, deposits and other receivables	<b>(5,789,645)</b>	5,242,598
Increase (Decrease) in account payables	<b>1,296,591</b>	(3,877,875)
Increase (Decrease) in deferred income	<b>8,570,741</b>	(8,756,853)
Decrease in deposits received from leasing customers	<b>(7,084,603)</b>	(5,303,778)
Increase (Decrease) in other payables and accrued expenses	<b>197,153</b>	(1,058,051)
	<hr/>	<hr/>
Cash generated from (used in) operations	<b>1,417,474</b>	(22,701,793)
Income tax paid	<b>(408,106)</b>	(1,841,067)
Bank interest received	<b>354,139</b>	83,509
Interest paid	<b>(14,257,810)</b>	(8,665,682)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(12,894,303)</b>	(33,125,033)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB	2021 RMB
<b>INVESTING ACTIVITIES</b>			
Payments for property and equipment and intangible assets		(19,744)	(24,665)
Proceeds on disposal of property and equipment and intangible assets		–	61,273
Loans to related parties		(8,227,463)	(9,028,788)
Repayments of loans by related parties		3,830,929	12,809,715
Purchase of financial assets at fair value through profit or loss (“FVTPL”)		–	(44,000,000)
Proceeds on disposal of financial assets at FVTPL		–	44,094,154
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>		<b>(4,416,278)</b>	3,911,689
<b>FINANCING ACTIVITIES</b>			
New bank and other borrowings raised		143,200,840	91,650,555
Repayments of bank and other borrowings		(103,775,306)	(62,619,724)
Withdrawal of security deposits		7,123,758	12,368,964
Dividend paid to non-controlling interests		–	(897,185)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	30	<b>46,549,292</b>	40,502,610
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>29,238,711</b>	11,289,266
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>27,638,418</b>	16,715,611
<b>EFFECT OF EXCHANGE RATE CHANGE</b>		<b>768,773</b>	(366,459)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCE AND CASH</b>		<b>57,645,902</b>	27,638,418

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. CORPORATE INFORMATION

Metropolis Capital Holdings Limited (the “Company”), which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 29 June 2017. The Company’s registered office in the Cayman Islands is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong is located at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong and the Group’s headquarter is situated at Room 7003A, 887 Huai Hai Zhong Road, Huangpu District, Shanghai, the PRC. The issued shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 December 2018.

The principal activity of the Company is investment holding and the principal activities of the Company and its subsidiaries (collectively, the “Group”) are provision of finance lease (including finance lease and sale and leaseback arrangements), finance leasing advisory and factoring services in the PRC.

The immediate and ultimate holding company of the Company is View Art Investment Limited (“View Art”), a limited liability company incorporated in the British Virgin Islands (“BVI”) on 28 September 2007 which is 100% held and controlled by Mr. Chau David (“Mr. Chau” or the “Controlling Shareholder”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which collective term includes all applicable IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current period.

A summary of the significant accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policies

The Group has applied the following amendments to IFRSs for the first time in the current period:

Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRSs	2018–2020 Cycle

#### ***Amendments to IAS 16: Proceeds before Intended Use***

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### ***Amendments to IAS 37: Cost of Fulfilling a Contract***

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### ***Amendments to IFRS 3: Reference to the Conceptual Framework***

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Changes in accounting policies (Continued)

#### **Annual Improvements Project — 2018–2020 Cycle**

##### *IFRS 1: Subsidiary as a First-time Adopter*

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRSs later than its parent — i.e. if a subsidiary adopts IFRSs later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs.

##### *IFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities*

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

##### *IFRS 16: Lease Incentives*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

##### *IAS 41: Taxation in Fair Value Measurements*

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### New and amendments to IFRSs issued but not yet effective

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/ revised IFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to IAS 1	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
IFRS 17	Insurance Contracts <sup>1</sup>
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> The effective date to be determined

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's financial position and financial performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period (if any) as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

### Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Changes in ownership interest (Continued)

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 determined at the date when control is lost; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 36, investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Revenue recognition

Finance lease income is recognised over the period of lease. Revenue is recognised over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### ***Revenue from contracts with customers within IFRS 15***

##### *Nature of services*

The nature of services provided by the Group is provision of finance leasing advisory services.

##### *Identification of performance obligations*

At contract inception, the Group assesses the services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a service (or a bundle of services) that is distinct; or
- (b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

A service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the service either on its own or together with other resources that are readily available to the customer (i.e. the service is capable of being distinct); and
- (b) the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the service is distinct within the context of the contract).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers within IFRS 15 (Continued)**

##### *Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance 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 a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Provision of finance leasing advisory services include (1) granting a right to the Auxiliary Service Providers (Note 8(ii)) to access the Group's credit assessment platform for performing credit assessments on the Group's/Finance Leasing Funders' (defined below) lessees and (2) provision of series of finance leasing advisory services which is a bundle service consists of (i) intermediary services between individual clients with financing needs (the "Finance Leasing Advisory Customers") and financial institutions who provide sale and leaseback arrangement services (the "Finance Leasing Funders") and (ii) guarantee services to the Finance Leasing Advisory Customers in support to their application for certain leasing arrangements provided by the Finance Leasing Funders (the "Group's Financial Guarantees").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

#### ***Revenue from contracts with customers within IFRS 15 (Continued)***

##### *Timing of revenue recognition (Continued)*

Revenue from granting a right to the Auxiliary Service Providers to access the Group's credit assessment platform is recognised at a point in time when the credit assessment has been completed.

Revenue from provision of finance leasing advisory services, other than provision of credit assessment platform, is recognised over time when the relevant transactions have been arranged or the relevant services have been rendered according to the agreed period of services set out in corresponding services agreements.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

##### *Transaction price: significant financing components*

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contract assets and contract liabilities

If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets, including computer software, trademark and website development cost, with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible asset, including vehicle licenses, with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment on investment in a subsidiary, property and equipment and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of investment in a subsidiary, property and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of investment in a subsidiary, property and equipment and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment on investment in a subsidiary, property and equipment and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is same as the Company's functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

### Retirement benefit costs

Payments to government-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

In accordance with relevant government-managed retirement benefit schemes, the employees of the Group's entities established in the PRC are required to participate in retirement benefit schemes organised by local governments. Contributions to these schemes are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with an investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

### Related parties

A related party is a person or entity that is related to the Group.

- (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 the key management personnel of the Group or of a holding company of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each holding company, 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 employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a holding company 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 a holding company of the Group.

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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

#### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### **The Group as a lessor**

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date 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.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

#### **Sale and leaseback transactions**

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

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

#### **The Group as a lessee**

##### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of office buildings that have a lease term of 12 months or less from the commencement date which do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets

#### ***Classification and subsequent measurement of financial assets***

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Classification and subsequent measurement of financial assets (Continued)***

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### ***Amortised cost and interest income***

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Classification and subsequent measurement of financial assets (Continued)***

##### *Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset.

#### ***Impairment of financial assets, the lease receivables and financial guarantee contracts***

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including loans to related parties, account receivables, deposits and other receivables, finance leasing advisory service receivables, factoring receivables, security deposits for other borrowings and bank balances), lease receivables and financial guarantee contracts which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as stage 2 and stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as stage 1). Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial asset and a lease receivable have increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset and the lease receivable at the reporting date with the risk of a default occurring on the financial asset and the lease receivable at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Impairment of financial assets, the lease receivables and financial guarantee contracts (Continued)***

##### *Significant increase in credit risk (Continued)*

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

- an actual or expected significant deterioration in the financial assets and lease receivables' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset and a lease receivable have increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial asset and a lease receivable have not increased significantly since initial recognition if the financial asset and the lease receivable are determined to have low credit risk at the reporting date. A financial asset and a lease receivable are determined to have low credit risk if (i) the financial asset and the lease receivable have a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Impairment of financial assets, the lease receivables and financial guarantee contracts (Continued)***

##### *Significant increase in credit risk (Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experiences indicate that financial assets and lease receivables that meet the following criteria are generally not recoverable:

- 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 analysis, the Group considers that default has occurred when financial assets and lease receivables are 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.

##### *Credit-impaired financial assets and lease receivables*

A financial asset or lease receivable is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset or lease receivable have occurred. Credit-impaired financial assets and lease receivables are referred to as stage 3 assets. Evidence that financial assets and lease receivables 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; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Impairment of financial assets, the lease receivables and financial guarantee contracts (Continued)***

##### *Write-off policy*

The Group writes off a financial asset or lease receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets and lease receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For financial assets and lease receivables, the ECL is estimated 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, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Impairment of financial assets, the lease receivables and financial guarantee contracts (Continued)***

##### *Measurement and recognition of ECL (Continued)*

Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial assets and lease receivables are grouped on the following basis:

- Nature of financial assets and lease receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for the financial assets and lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amounts of financial assets unless the financial assets are credit-impaired, in which case interest income is calculated based on amortised cost of financial assets.

If the Group has measured the loss allowances for financial assets and lease receivables at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowances at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets and lease receivables with a corresponding adjustment to their carrying amount through a loss allowance account.

#### ***Derecognition of financial assets and lease receivables***

The Group derecognises a financial asset and a lease receivable only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and the lease receivable and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset and lease receivable, the Group continues to recognise the financial asset and the lease receivable and also recognises a collateralised borrowing for the proceeds received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (Continued)

#### ***Derecognition of financial assets and lease receivables (Continued)***

On derecognition of a financial asset and a lease receivable measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### Financial liabilities and equity instruments

#### ***Classification as debt or equity***

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

#### ***Financial liabilities***

All financial liabilities including account payables, bank and other borrowings, other payables and deposits received from leasing customers are subsequently measured at amortised cost using the effective interest method.

#### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

#### ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Classification of leases*

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as lessees have the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised. Accordingly, the Group has excluded the assets held for lease businesses under finance lease and sale and leaseback arrangements from its consolidated statement of financial position and instead recognised finance lease receivables or receivables arising from sale and leaseback arrangements (Notes 17 and 18). The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease involved critical judgments by the management of the Group.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### *Useful lives of property and equipment and intangible assets*

The management of the Group determines the estimated useful lives of the Group's property and equipment and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### ***Impairment of property and equipment and intangible assets***

The management of the Group determines whether the Group's property and equipment and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the property and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the Group's management to make an estimate of the expected future cash flows from the property and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss. The value in use involves high degree of judgment, 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.

#### ***Impairment of lease receivables and factoring receivables***

The Group reviews its lease receivables and factoring receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly. Details of the lease receivables and factoring receivables are set out in Notes 17, 18 and 20.

The management of the Group estimates the amount of loss allowances for ECL on lease receivables and factoring receivables that are measured at amortised costs based on the credit risk of lease receivables and factoring receivables. The loss allowances are measured as the assets' carrying amounts and the present values of estimated future cash flows with the consideration of expected future credit loss of lease receivables and factoring receivables. The assessment of the credit risk of lease receivables and factoring receivables involves high degree of judgment, 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.

The following significant judgments are required in applying the accounting requirements for measuring the ECL:

#### ***Significant increase of credit risk***

ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative forward looking information that is reasonable and supportable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Key sources of estimation uncertainty (Continued)

#### ***Impairment of lease receivables and factoring receivables (Continued)***

##### *Models and assumptions used*

The Group uses various assumptions in estimating ECL, for example gross domestic product ("GDP") growth rate, producer price index ("PPI") rate and consumer price index ("CPI") rate. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

#### ***Impairment of other financial assets***

The management of the Group estimates the loss allowances for other financial assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of other financial assets.

#### ***Deferred tax assets***

At the end of the reporting period, deferred tax assets have been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

#### ***Provision for obligation under financial guarantee contracts***

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of financial guarantee contracts when the Group computes the provision of loss allowances on the guaranteed amounts. Such estimation is made based on the available information at the end of the reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. SEGMENT INFORMATION

The Company is an investment holding company and the principal place of business of the Group's operation is in the PRC. All of the Group's revenue from external customers during the reporting period is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group manages its business as a whole and the businesses of provision of finance leases (including finance leases and sale and leaseback arrangements), finance leasing advisory and factoring services are carried out in the PRC and the chief executive officer of the Company, being the chief operating decision-maker of the Group, regularly reviews the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. No operating segment information is presented other than the entity-wide disclosures.

### Entity-wide disclosures

#### *Geographical information*

The Group's operation is in the PRC and its specified non-current assets, i.e. property and equipment and intangible assets are situated in the PRC.

#### *Major customers*

##### *Information about major customers*

Revenue from customers individually contributing 10% or more of the total revenue of the Group were as follows:

	Year ended 31 December	
	2022	2021
	RMB	RMB
Customer A	Note i	5,936,380

Notes:

- (i) The Group carried out transactions with this customer but the amount of the revenue recognised was less than 10% of the total revenue of the Group during the year ended 31 December 2022.
- (ii) The Group's revenue from any single external customer did not contribute 10% or more of the total revenue of the Group during the year ended 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. REVENUE

### Revenue by nature

The following is an analysis of revenue by nature during the reporting period:

	Year ended 31 December	
	2022	2021
	RMB	RMB
<b>Finance lease income</b>		
Vehicle finance leasing	5,141,369	9,720,358
<b>Interest income arising from sale and leaseback arrangements</b>	25,333,653	18,645,479
<b>Finance leasing advisory service income</b> (Note i)	13,913,846	12,313,124
<b>Interest income arising from factoring arrangements</b>	3,643,472	3,026,252
<b>Total revenue</b>	<b>48,032,340</b>	<b>43,705,213</b>

Note (i):

	Year ended 31 December	
	2022	2021
	RMB	RMB
<u>Revenue from contracts with customers within IFRS 15</u>		
<i>At a point in time</i>		
— Provision of credit assessment platform	7,249,807	—
<i>Overtime</i>		
— Provision of finance leasing advisory services*	6,664,039	12,313,124
	<b>13,913,846</b>	<b>12,313,124</b>

\* The amount excluded the revenue from provision of credit assessment platform.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 6. OTHER INCOME AND OTHER GAINS (LOSSES), NET

	Year ended 31 December	
	2022	2021
	RMB	RMB
<b>(a) Other income</b>		
Bank interest income	354,139	83,509
Government subsidies (Note i)	895,951	924,210
Income from vehicle license leasing	403,019	405,566
Interest income from loan to a related party	188,000	–
Others	177,475	562,821
	<b>2,018,584</b>	1,976,106
<b>(b) Other gains (losses), net</b>		
Gain on disposal of property and equipment	–	9
Loss on write-down of property and equipment	331	–
Other investment gain (Note ii)	–	94,154
Exchange gain (loss), net	720,367	(408,430)
	<b>720,698</b>	(314,267)
	<b>2,739,282</b>	1,661,839

Notes:

- (i) Government subsidies primarily consist of the fiscal support that local government offers to the Group's entities engaged in the leasing business in the PRC.
- (ii) Other investment gain recognised during the year ended 31 December 2021 represented the realised gain arising from the Group's investment in short-term unlisted financial products (recognised as financial assets at FVTPL) which were purchased and redeemed upon maturity from the banks in the PRC and are low risk in nature.

## 7. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB	RMB
Interest on bank and other borrowings	14,257,810	8,665,682
Imputed interest expenses arising from deposits received from leasing customers	572,827	881,767
Total finance costs	<b>14,830,637</b>	9,547,449

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 8. (LOSS) PROFIT BEFORE TAX

(Loss) Profit before tax for the year is arrived at after charging (crediting):

	Year ended 31 December	
	2022	2021
	RMB	RMB
<b>Staff costs</b>		
Directors' emoluments (Note 10)	1,436,994	1,415,459
Salaries, bonus and other benefits (excluding directors)	5,983,628	7,789,701
Retirement benefit scheme contributions (excluding directors)	1,411,723	2,265,619
	<b>8,832,345</b>	11,470,779
<b>Impairment losses on the Lease Receivables, factoring receivables and other financial assets measured at amortised cost</b>		
Recognition of loss allowances on the Lease Receivables, net	19,714,651	4,919,158
(Reversal) Recognition of loss allowances on factoring receivables, net	(492,356)	1,135,119
Recognition of loss allowances on other financial assets measured at amortised cost, net	–	232
	<b>19,222,295</b>	6,054,509
<b>Other operating expenses</b>		
Auditors' remuneration	1,375,000	1,250,000
Finance leasing advisory service costs (Note i)	9,051,143	8,822,195
Professional fees (Note ii)	1,468,360	1,396,016
Other professional fees	2,275,369	1,836,193
Depreciation of property and equipment (Note 13)	415,823	424,973
Travelling and entertainment expenses	416,841	700,760
Office expenses	653,529	750,348
Expenses recognised under short-term leases (Note iii)	2,157,892	1,963,522
	<b>17,813,957</b>	17,144,007

Notes:

- (i) The amount represents the costs for (i) requesting guarantees from other service providers (the "Auxiliary Service Providers") as a condition in providing counter guarantees to the Finance Leasing Advisory Customers for which the Group or the Finance Leasing Funders is acting as the funder (the "Counter Guarantees") (Note 19) and (ii) receiving certain financial advisory services from service providers in order to support the Group's financial advisory services to its customers.
- (ii) The amounts mainly represent the professional fees paid/payable for the Company's listing compliance.
- (iii) The Group applies the short-term lease recognition exemption to lease of properties that have lease term of 12 months or less from the commencement date which do not contain a purchase option. Expense relating to short-term leases with lease terms end within 12 months were RMB2,157,892 (2021: RMB1,963,522). During the year ended 31 December 2022 and 2021, all of the Group's lease contracts are recognised as short-term leases.

For the year ended 31 December 2022, total cash outflow for leases was RMB2,157,892 (2021: RMB1,963,522).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 9. INCOME TAX CREDIT

	Year ended 31 December	
	2022	2021
	RMB	RMB
PRC enterprise income tax ("EIT")		
Current year	–	172,674
Over provision in the prior years	(530,138)	(858,739)
	<b>(530,138)</b>	(686,065)
Deferred tax credit (Note 27)	(5,247,707)	(453,707)
Total income tax credit	<b>(5,777,845)</b>	(1,139,772)

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax or capital gain tax of their respective jurisdictions.

No provision for Hong Kong profits tax has been made as the Group's entities established in Hong Kong do not have any assessable profit for the years ended 31 December 2022 and 2021.

Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the EIT rate applicable to the Group's entities established in the PRC was 25% for the year ended 31 December 2022 (2021: 25%).

During the year ended 31 December 2022, for entities recognised as small and low-profit enterprises ("Small & Low-Profit Enterprises") in the PRC, 12.5% (2021: 12.5%) of the first RMB1,000,000 assessable profit is subject to the EIT rate of 20% (2021: 20%) and 50% (2021: 50%) of the assessable profit above RMB1,000,000 but below RMB3,000,000 is subject to the EIT rate of 20% (2021: 20%).

One of the group entities, Metropolis Xincheng Information Technology (Shanghai) Co., Ltd.\* ("Xincheng") 信都信承信息科技(上海)有限公司, was recognised as Small & Low-Profit Enterprises during the years ended 31 December 2022 and 2021.

\* For identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 9. INCOME TAX CREDIT (CONTINUED)

### Reconciliation of income tax credit

	Year ended 31 December	
	2022	2021
	RMB	RMB
(Loss) Profit before tax	<b>(9,927,612)</b>	1,150,308
Tax charge at the PRC EIT rate of 25% (2021: 25%)	<b>(2,481,903)</b>	287,577
Tax effect of expenses not deductible for tax purpose	<b>203,172</b>	524,491
Tax effect of income exempted for tax purpose	<b>(390)</b>	(470)
Utilisation of previously unrecognised temporary differences	<b>(2,968,586)</b>	(830,660)
Over provision for the prior years	<b>(530,138)</b>	(858,739)
Unrecognised tax losses	–	59,570
Tax concession	–	(321,541)
Income tax credit for the year	<b>(5,777,845)</b>	(1,139,772)

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (A) Directors

The emoluments paid or payable to each of the directors, chairman and chief executive officer of the Company by the Group for the years ended 31 December 2022 and 2021, disclosed pursuant to the applicable GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance, are as follows:

	Fees	Salaries and	Discretionary	Retirement	Total
	RMB	other benefits	bonus	benefit scheme	RMB
	RMB	RMB	RMB	contributions	
				RMB	
Year ended 31 December 2022					
Executive directors (Note a)					
Mr. Chau (Note b)	–	360,000	90,000	91,926	541,926
Ms. Zhou Hui	–	300,000	65,000	102,106	467,106
Non-executive director (Note c)					
Ms. Chau On	120,000	–	–	–	120,000
Independent non-executive directors (Note c)					
Mr. Lau Chung Wai	102,654	–	–	–	102,654
Mr. Mo Luojiang	102,654	–	–	–	102,654
Mr. Lin Peicong (Note e)	102,654	–	–	–	102,654
	<b>427,962</b>	<b>660,000</b>	<b>155,000</b>	<b>194,032</b>	<b>1,436,994</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (A) Directors (Continued)

	Fees RMB	Salaries and other benefits RMB	Discretionary bonus RMB	Retirement benefit scheme contributions RMB	Total RMB
Year ended 31 December 2021					
Executive directors (Note a)					
Mr. Chau (Note b)	–	360,000	85,000	89,323	534,323
Ms. Zhou Hui	–	300,000	60,000	102,480	462,480
Non-executive director (Note c)					
Ms. Chau On	120,000	–	–	–	120,000
Independent non-executive directors (Note c)					
Mr. Lau Chung Wai	99,552	–	–	–	99,552
Mr. Mo Luojiang	99,552	–	–	–	99,552
Mr. Lo Kai Tung (Note d)	24,888	–	–	–	24,888
Mr. Lin Peicong (Note e)	74,664	–	–	–	74,664
	<u>418,656</u>	<u>660,000</u>	<u>145,000</u>	<u>191,803</u>	<u>1,415,459</u>

Notes:

- (a) The emoluments were for their services in connection with management of affairs of the Group.
- (b) Mr. Chau is an executive director, chairman and chief executive officer of the Company.
- (c) The emoluments were for their services as directors of the Company.
- (d) Mr. Lo Kai Tung resigned as an independent non-executive director of the Company on 30 March 2021.
- (e) Mr. Lin Peicong was appointed as an independent non-executive director of the Company on 30 March 2021.

There was no performance related bonus made to the directors of the Company during the years ended 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors, chairman or chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, chairman or chief executive officer of the Company waived any emoluments during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (B) Employees

The five highest paid individuals for the year ended 31 December 2022 of the Group include two directors (2021: two) of the Company. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December	
	2022	2021
	RMB	RMB
Directors	1,009,032	996,803
Non-directors	1,239,640	1,159,652
	<b>2,248,672</b>	2,156,455

Details of the remuneration of the remaining non-director, highest paid individuals are as follows:

	Year ended 31 December	
	2022	2021
	RMB	RMB
Salaries and other benefits	878,000	815,100
Performance related bonus (Note i)	90,920	85,579
Retirement benefit scheme contributions	270,720	258,973
	<b>1,239,640</b>	1,159,652

Note (i): Performance related bonus was made to the highest paid employees of the Group on discretionary basis which was determined based on the Group's performance and their contributions.

The emoluments of these non-director individuals were within the following band.

	Year ended 31 December	
	2022	2021
	No. of employees	No. of employees
Nil to Hong Kong Dollars ("HK\$") 1,000,000 (equivalent to approximately RMB893,000 (2021: RMB818,000))	3	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11. DIVIDENDS

During the year ended 31 December 2022, the Group had not declared any dividends to their equity shareholders (2021: Nil).

## 12. (LOSSES) EARNINGS PER SHARE

The calculation of basic and diluted losses/earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2022	2021
	RMB	RMB
(Losses) Earnings:		
(Loss) Profit for the year attributable to owners of the Company	<b>(3,636,279)</b>	1,982,780
	<b>2022</b>	2021
	<b>Number of share</b>	Number of share
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted losses/earnings per share	<b>960,000,000</b>	960,000,000

The Group has no potential ordinary share in issue during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13. PROPERTY AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB (Note ii)	Leasehold improvement RMB	Artistic decoration RMB (Note iii)	Total RMB
<b>COST</b>					
At 1 January 2021	780,624	2,069,891	581,926	3,701,422	7,133,863
Additions	24,665	–	–	–	24,665
Disposals	(125,562)	–	–	–	(125,562)
At 31 December 2021 and 1 January 2022	679,727	2,069,891	581,926	3,701,422	7,032,966
Additions	19,744	–	–	–	19,744
Write-off	(3,306)	–	–	–	(3,306)
At 31 December 2022	696,165	2,069,891	581,926	3,701,422	7,049,404
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2021	571,562	1,504,924	577,832	327,850	2,982,168
Provided for the year	50,348	–	4,094	370,531	424,973
Eliminated on disposals	(64,298)	–	–	–	(64,298)
At 31 December 2021 and 1 January 2022	557,612	1,504,924	581,926	698,381	3,342,843
Provided for the year	45,729	–	–	370,094	415,823
Eliminated on write-off	(2,975)	–	–	–	(2,975)
At 31 December 2022	600,366	1,504,924	581,926	1,068,475	3,755,691
<b>CARRYING VALUE</b>					
At 31 December 2022	95,799	564,967	–	2,632,947	3,293,713
At 31 December 2021	122,115	564,967	–	3,003,041	3,690,123

Notes:

- (i) The above items of property and equipment are depreciated on a straight-line basis based on their estimated useful lives, after taking into account the estimated residual value, as follows:

Office equipment	3–5 years
Motor vehicles	4 years
Leasehold improvement	Shorter of 5 years or lease term
Artistic decoration	10 years

- (ii) The carrying values of motor vehicles at 31 December 2022 and 2021 include the carrying values of certain vehicle licenses which were embedded into respective motor vehicles. The costs of these vehicle licenses included in the cost of motor vehicles and were not separable. Amortisation policy of the vehicle licenses is set forth in Note 14.

- (iii) It represents seven pieces of artistic decorations, including art furnishings and other artworks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14. INTANGIBLE ASSETS

	Software RMB	Trademark RMB	Website development RMB	Vehicle licenses RMB	Total RMB
<b>COST</b>					
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	878,588	8,000	19,902	3,476,097	4,382,587
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	878,588	8,000	19,902	–	906,490
<b>CARRYING VALUE</b>					
At 31 December 2022	–	–	–	3,476,097	3,476,097
At 31 December 2021	–	–	–	3,476,097	3,476,097

The above intangible assets, except for vehicle licenses, are amortised on a straight-line basis based on their estimated useful lives as follows:

Software	3 years
Trademark	3 years
Website development	3 years

The directors of the Company are of the opinion that the vehicle licenses have indefinite useful lives as the vehicle licenses are transferable and able to renew with minimal cost, which is therefore carried at cost less accumulated impairment, if any.

The directors of the Company had assessed the fair value less cost of disposal with reference to the recent completed transaction prices in open market as the recoverable amount of these vehicle licenses and concluded that no provision for impairment loss on vehicle licenses at 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 15. LOANS TO RELATED PARTIES

	At 31 December 2022 RMB	2021 RMB	Maximum balance outstanding during the year ended 31 December 2022 RMB	Maximum balance outstanding during the year ended 31 December 2021 RMB
Mr. Chau (Note i)	2,900,000	853,466	3,853,466	6,263,132
Ms. Chau On (Note i)	–	–	–	2,440,640
Zhentianjia Trading (Shanghai) Co., Ltd* ("Zhentianjia") (珍田家貿易(上海)有限公司) (Note ii)	2,538,000	–	2,538,000	–
	<b>5,438,000</b>	853,466	<b>6,391,466</b>	8,703,772

Notes:

- (i) The balances represent advances made by the Group to Mr. Chau and Ms. Chau On. The amounts due are non-trade in nature, interests free, unsecured and repayable on demand.

The balance at 31 December 2022 was fully settled in March 2023.

- (ii) At 31 December 2022, approximately 51.17% equity interests of Zhentianjia is indirectly owned by Mr. Chau through two entities directly held by him of which one of the entities is View Art. The loan made to Zhentianjia was unsecured, bearing interest of 12% per annum and repayable in one year.

At the end of the reporting period, the loans to related parties are denominated in RMB which is the functional currency of the relevant group entities.

\* For identification purposes only.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2022 RMB	2021 RMB
Other receivables (Note i)	4,520,420	3,096,252
Less: Loss allowances	—	(232)
	<hr/> 4,520,420	3,096,020
Prepayments (Note ii)	3,271,023	175,141
Deposits (Note iii)	6,637,023	5,280,589
Value added tax ("VAT") recoverable	66,192	153,263
	<hr/> 14,494,658	8,705,013

Notes:

- (i) The balance at 31 December 2022 included payments of RMB4,337,965 (2021: RMB2,664,212) made on behalf of the Auxiliary Service Providers. The Group expects such receivables will be received within 12 months.
- (ii) The balance mainly represents prepayment of finance leasing advisory service costs of RMB2,851,289 to a service provider.
- (iii) The balance mainly represents deposits paid in relation to the Group's finance leasing advisory services for the Group's Financial Guarantees.

### Movements of loss allowances on other receivables

	RMB
At 1 January 2021	—
Increase in allowances	<hr/> 232
At 31 December 2021 and 1 January 2022	232
Amounts written off	<hr/> (232)
At 31 December 2022	<hr/> —

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for vehicles. The average terms of finance leases entered into usually range from 2 to 5 years (2021: 1 to 5 years). All interest rates inherent in leases are fixed at the contract date over the lease terms.

	<b>At 31 December 2022</b>	
	<b>Minimum lease payments RMB</b>	<b>Present value of minimum lease payments RMB</b>
<i>Finance lease receivables comprise:</i>		
Within one year	55,724,639	49,090,495
In the second year	14,935,014	13,156,503
In the third year	9,518,346	9,144,430
	<hr/>	<hr/>
Gross investment in the lease	80,177,999	N/A
Less: Unearned finance income	(8,786,571)	N/A
	<hr/>	<hr/>
Present value of minimum lease payment receivables	71,391,428	71,391,428
Less: Loss allowances	(44,557,293)	(44,557,293)
	<hr/>	<hr/>
	<b>26,834,135</b>	<b>26,834,135</b>
	<hr/>	<hr/>
Analysed as:		
Current	16,131,081	16,131,081
Non-current	10,703,054	10,703,054
	<hr/>	<hr/>
	<b>26,834,135</b>	<b>26,834,135</b>
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

	At 31 December 2021	
	Minimum lease payments RMB	Present value of minimum lease payments RMB
<i>Finance lease receivables comprise:</i>		
Within one year	86,395,339	75,708,127
In the second year	20,321,615	17,184,099
In the third year	13,918,006	12,256,829
In the fourth year	9,209,448	8,849,804
	<hr/>	<hr/>
Gross investment in the lease	129,844,408	N/A
Less: Unearned finance income	(15,845,549)	N/A
	<hr/>	<hr/>
Present value of minimum lease payment receivables	113,998,859	113,998,859
Less: Loss allowances	(44,923,944)	(44,923,944)
	<hr/>	<hr/>
	69,074,915	69,074,915
	<hr/>	<hr/>
Analysed as:		
Current	32,736,517	32,736,517
Non-current	36,338,398	36,338,398
	<hr/>	<hr/>
	69,074,915	69,074,915
	<hr/>	<hr/>

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entities. The effective interest rates of the above finance leases range from approximately 10.34% to 23.09% per annum during the year ended 31 December 2022 (2021: approximately 10.34% to 23.09% per annum).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

### Movements of loss allowances on finance lease receivables

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit- impaired RMB	Stage 3 Lifetime ECL credit- impaired RMB	Total RMB
At 1 January 2022	96,366	–	44,827,578	44,923,944
Changes in loss allowances:				
— Transfer to stage 3	(21,191)	–	21,191	–
— Charged to profit or loss	–	–	12,458,875	12,458,875
Written-off	–	–	(12,825,526)	(12,825,526)
At 31 December 2022	75,175	–	44,482,118	44,557,293
At 1 January 2021	151,306	2,074,586	43,172,870	45,398,762
Changes in loss allowances:				
— Transfer to Stage 3	(72,425)	(1,628,252)	1,700,677	–
— Charged (Credited) to profit or loss	17,485	(446,334)	3,050,844	2,621,995
Written-off	–	–	(3,096,813)	(3,096,813)
At 31 December 2021	96,366	–	44,827,578	44,923,944

The finance lease receivables are secured by leased assets and deposits (if available) as set out in Note 24. The Group might require extra assurance, e.g. land use rights, houses, vehicles, as extra mortgages. There was no contingent lease arrangement that needed to be recognised during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

### Movements of loss allowances on finance lease receivables (Continued)

Notes:

- (i) Due to the prolonged administrative process time involved in and the expected cost for the registration of securities of leased assets (the "Securities"), some of the Securities for which the Group obtained from the Lease Receivables were not registered with the relevant government authorities.

The directors of the Company have, taking into account (i) the Group is the first pledgee who entered into the pledge agreement with the customers; (ii) the Group has obtained all original copies of the motor vehicle registration certificates from the customers; (iii) the necessary actions taken to ensure that no other party had registered the pledge of the Securities to the relevant government authority at the end of the reporting period and up to the date of issue of the consolidated financial statements; (iv) in accordance with the relevant laws and regulations governing the second hand market trading of motor vehicles in the PRC, the leased assets cannot be traded in the second hand market without the original motor vehicle registration certificates; and (v) advice sought from the Group's legal adviser, that, the pledge right of the Securities is established when the pledge agreement comes into effect. Although there is a potential risk that the subject matter of the Securities may be claimed by a bona fide third party, the Group has taken corresponding remedies to reduce the loss and the Group has the right to claim ownership from the third parties to repossess the Securities if the customers attempt to transfer the Securities to third parties without the Group's consent.

If the Group cannot execute the enforcement right of the Securities when the customers had defaulted repayment to the Group, the estimated amount of the loss given default on and the resulting calculated amount of impairment currently recognised on the Lease Receivables may increase significantly. During the years ended 31 December 2022 and 2021, the Group has no significant enforcement issue on the Securities.

- (ii) Out of the Group's finance lease receivables, there are 8 customers ("8 Customers") engaged in ride-hailing business in Shenzhen, have aggregate outstanding finance lease receivables of RMB45,441,543 and corresponding deposit received from them of RMB2,676,813 at 31 December 2022.

Due to shortage of working capital, the 8 Customers have failed to settle their outstanding balances since the second half of 2022. The Group's management has closely monitored the recoverability of the outstanding balances arising from the 8 Customers and has kept dealing with the 8 Customers since the date of having indication of default. The Group's management noted that the shortage of working capital is the consequence of the Covid-19 pandemic in Shenzhen, in particular, during the second half of 2022, which deteriorated the ride-hailing business carried out by the 8 Customers. As at the date of this report, based on the latest information obtained by the Group's management from the 8 Customers, the business carried out by the 8 Customers have been gradually resumed to normal.

Such finance lease receivables, as assessed by the management of the Group, were classified as stage 3 in the Group's risk profile for the determination of loss allowances for ECL as there are one or more events that have a detrimental impact on the estimated future cash flows on the 8 Customers at 31 December 2022. The loss allowances for ECL for the 8 Customers was assessed with reference to their future estimated cash flows prepared by the Group's management which includes the expected recoverable amounts from the 8 Customers, the corresponding deposits received and realisation of collaterals held in supporting the computation of loss allowances for ECL. At 31 December 2022, loss allowances arising from the 8 Customers of RMB24,764,730 was recognised.

Please refer to Note 32 for details of ECL of finance lease receivables.

\* *For identification purposes only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group entered into sale and leaseback arrangements as a lessor for vehicles. The average terms of sale and leaseback arrangements entered into usually range from 1 to 4 years (2021: 1 to 4 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	At 31 December 2022	
	Gross amount RMB	Present value RMB
<i>Receivables from sale and leaseback arrangements comprises:</i>		
Within one year	93,240,870	78,873,015
In the second year	65,106,728	60,254,199
In the third year	6,053,104	5,953,586
	<hr/>	<hr/>
	164,400,702	N/A
Less: Unearned finance income	(19,319,902)	N/A
	<hr/>	<hr/>
Present value of receivables arising from sale and leaseback arrangements	145,080,800	145,080,800
Less: Loss allowances	(10,252,918)	(10,252,918)
	<hr/>	<hr/>
	134,827,882	134,827,882
	<hr/>	<hr/>
Analysed as:		
Current	71,655,260	71,655,260
Non-current	63,172,622	63,172,622
	<hr/>	<hr/>
	134,827,882	134,827,882
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

	At 31 December 2021	
	Gross amount RMB	Present value RMB
<i>Receivables from sale and leaseback arrangements comprises:</i>		
Within one year	77,201,039	58,632,021
In the second year	56,435,020	47,473,328
In the third year	29,847,432	27,615,464
In the fourth year	419,175	401,908
	<hr/>	<hr/>
Less: Unearned finance income	163,902,666 (29,779,945)	N/A N/A
	<hr/>	<hr/>
Present value of receivables arising from sale and leaseback arrangements	134,122,721	134,122,721
Less: Loss allowances	(3,257,612)	(3,257,612)
	<hr/>	<hr/>
	130,865,109	130,865,109
	<hr/>	<hr/>
Analysed as:		
Current	56,624,552	56,624,552
Non-current	74,240,557	74,240,557
	<hr/>	<hr/>
	130,865,109	130,865,109
	<hr/>	<hr/>

The Group's receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entities. The effective interest rates of the above sale and leaseback arrangements range from approximately 11.39% to 34.72% per annum during the year ended 31 December 2022 (2021: approximately 11.00% to 34.72% per annum).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

### Movements of loss allowances on receivables arising from sale and leaseback arrangements

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit- impaired RMB	Stage 3 Lifetime ECL credit- impaired RMB	Total RMB
At 1 January 2022	1,042,120	353,326	1,862,166	3,257,612
Changes in loss allowances:				
— Transfer to stage 1	8,709	(899)	(7,810)	—
— Transfer to stage 2	(55,149)	55,149	—	—
— Transfer to stage 3	(78,175)	(340,990)	419,165	—
— Charged to profit or loss	311,911	2,112,550	4,831,315	7,255,776
Written-off	—	—	(260,470)	(260,470)
At 31 December 2022	<b>1,229,416</b>	<b>2,179,136</b>	<b>6,844,366</b>	<b>10,252,918</b>
At 1 January 2021	719,107	113,339	128,003	960,449
Changes in loss allowances:				
— Transfer to stage 2	(7,292)	7,292	—	—
— Transfer to stage 3	(22,572)	(80,297)	102,869	—
— Charged to profit or loss	352,877	312,992	1,631,294	2,297,163
At 31 December 2021	<b>1,042,120</b>	<b>353,326</b>	<b>1,862,166</b>	<b>3,257,612</b>

The receivables arising from sale and leaseback arrangements are secured by leased assets (Note 33) and deposits (if available) (Note 24). The Group might require extra assurance as extra mortgages.

Please refer to Note 32 for details of ECL of receivables arising from sale and leaseback arrangements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 19. ACCOUNT RECEIVABLES/PAYABLES & DEFERRED EXPENSES/INCOME

The Group commenced its finance leasing advisory business since 2020. The finance leasing advisory service income was payable by the Finance Leasing Funders to the Group on equal monthly installments over the agreed period of services.

On the other hand, the Group was required to pay to the Auxiliary Service Providers in connection with their Counter Guarantees services by equal monthly installments over the agreed period of services.

Account receivables/payables at the end of the reporting period represented total outstanding monthly installments to be received from the Finance Leasing Funders/paid to Auxiliary Service Providers, after considering the effects for the time value of money, if significant. The account receivables and payables were not overdue.

Deferred expenses/income at the end of the reporting period represented unamortised value for the services of the Auxiliary Service Providers/the Group.

At the end of each reporting period, the Group would measure the exposure on the Group's Financial Guarantees at the higher of (1) the carrying value of the deferred income; and (2) the amount of loss allowance on the guaranteed amount determined in accordance with IFRS 9. Should there be any loss to be recognised on the Group's Financial Guarantees, the Group would only recognise a receivable under the Counter Guarantees to the extent that it is recoverable.

At 31 December 2022, the underlying guaranteed value of the Group's Financial Guarantees and the Counter Guarantees which included in finance leasing advisory services and certain sale and leaseback arrangements, were RMB113,653,303 (2021: RMB56,536,900) and RMB123,420,386 (2021: RMB90,040,987), respectively. In addition, there is no material loss exposure on the Group's Financial Guarantees and thus, no material receivables to be recognised for the Counter Guarantees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20. FACTORING RECEIVABLES

The factoring receivables are measured at amortised cost and generally with maturity ranging from 2 to 36 months (2021: 3 to 36 months). The effective interest rates of factoring receivables range from approximately 11.39% to 15.00% (2021: approximately 11.30% to 15.00%) per annum during the year ended 31 December 2022.

	<b>At 31 December</b>	
	<b>2022</b>	2021
	<b>RMB</b>	RMB
<i>Factoring receivables comprise:</i>		
Within one year	<b>64,267,742</b>	27,439,358
In the second year	<b>2,597,778</b>	5,757,194
In the third year	–	2,597,778
	<hr/>	<hr/>
Gross amount of factoring receivables	<b>66,865,520</b>	35,794,330
	<hr/>	<hr/>
Less: Interest adjustment	<b>(5,294,999)</b>	(3,383,913)
	<hr/>	<hr/>
Present value of factoring receivables (Note i)	<b>61,570,521</b>	32,410,417
	<hr/>	<hr/>
Less: Loss allowances	<b>(642,763)</b>	(1,135,119)
	<hr/>	<hr/>
	<b>60,927,758</b>	31,275,298
	<hr/>	<hr/>
Analysed as:		
Current	<b>58,467,192</b>	23,856,014
Non-current	<b>2,460,566</b>	7,419,284
	<hr/>	<hr/>
	<b>60,927,758</b>	31,275,298
	<hr/>	<hr/>

Note (i): Set forth below are the details of the present value of factoring receivables:

	<b>2022</b>	2021
	<b>RMB</b>	RMB
Within one year	<b>59,079,566</b>	24,897,218
In the second year	<b>2,490,955</b>	5,022,244
In the third year	–	2,490,955
	<hr/>	<hr/>
	<b>61,570,521</b>	32,410,417
	<hr/>	<hr/>

The Group's factoring receivables are denominated in RMB which is the functional currency of the relevant group entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20. FACTORING RECEIVABLES (CONTINUED)

### Movements of loss allowances on factoring receivables

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit- impaired RMB	Stage 3 Lifetime ECL credit- impaired RMB	Total RMB
At 1 January 2022	374,386	620,575	140,158	1,135,119
Changes in loss allowances:				
— Transfer to stage 3	—	(620,575)	620,575	—
— Charged (Credited) to profit or loss	223,501	—	(715,857)	(492,356)
At 31 December 2022	597,887	—	44,876	642,763
At 1 January 2021	—	—	—	—
Changes in loss allowances:				
— Charged to profit or loss	374,386	620,575	140,158	1,135,119
At 31 December 2021	374,386	620,575	140,158	1,135,119

The factoring receivables are secured by trade receivables of the counterparties and the Group has recourse right on the debts in events of default.

Please refer to Note 32 for details of ECL of factoring receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21. FINANCE LEASING ADVISORY SERVICE RECEIVABLES

The ageing analysis of finance leasing advisory service receivables based on invoice date at the end of the reporting period is as follows:

	2022 RMB	2021 RMB
Within 30 days	1,052,756	1,160,980
31–60 days	–	270,506
61–90 days	–	270,506
91–180 days	–	811,519
	<u>1,052,756</u>	<u>2,513,511</u>

At the end of the reporting period, the ageing analysis of finance leasing advisory service receivables by due date is as follows:

	2022 RMB	2021 RMB
Not yet due	<u>1,052,756</u>	<u>2,513,511</u>

The Group normally grants credit terms up to 180 days from the date of issuance of invoices.

The Group's finance leasing advisory service receivables are denominated in RMB which is the functional currency of the relevant group entities.

## 22. BANK BALANCES AND CASH

At 31 December 2022, bank balances carried interest at prevailing market rates ranging from approximately 0.05% to 1.1396% (2021: approximately 0.001% to 0.35%) per annum.

Bank balances and cash with the following amounts are denominated in currencies other than the functional currencies of the group entities.

	At 31 December	
	2022 RMB	2021 RMB
HK\$	7,761,417	8,269,701
United States Dollars ("US\$")	8	32,368
	<u>7,761,425</u>	<u>8,302,069</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 23. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2022	2021
	RMB	RMB
Other payables (Note i)	19,035,145	17,717,932
Payroll payables	1,475,788	2,633,546
Other tax payables	670,091	632,393
	<hr/>	<hr/>
	21,181,024	20,983,871

The other payables with the following amounts are denominated in currencies other than functional currencies of the relevant group entities.

	At 31 December	
	2022	2021
	RMB	RMB
HK\$	–	14,717

Note (i): Other payables mainly include (i) advanced payments received from the Auxiliary Service Providers as deposits for their Counter Guarantees services; and (ii) other payables balances arising from receiving finance leasing advisory services from the Auxiliary Service Providers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24. DEPOSITS RECEIVED FROM LEASING CUSTOMERS

The deposit is required and calculated as a certain percentage of the contract value and paid back throughout or by the end of the contract as stipulated in certain leasing contracts. The deposit could be either paid back once the lessee fully carried out all obligations under the contract or be used to settle the outstanding debts. At 31 December 2022, the outstanding deposits from leasing customers were RMB6,637,473 (2021: RMB13,149,249).

Analysis for the amount of deposits received from leasing customers for reporting purpose as:

	At 31 December	
	2022	2021
	RMB	RMB
Non-current	2,307,536	3,581,951
Current	4,329,937	9,567,298
	<b>6,637,473</b>	13,149,249

The deposits received are interest-free and measured at amortised cost using the effective interest method. The weighted average effective interest rate adopted is approximately 8.97% (2021: 7.36%) per annum for the year ended 31 December 2022.

The Group's deposits received from leasing customers are denominated in RMB which is the functional currency of the relevant group entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25. BANK AND OTHER BORROWINGS

	Notes	At 31 December 2022 RMB	2021 RMB
Fixed-rate borrowings			
Bank borrowings			
— Secured and guaranteed	25(a)	4,000,000	—
Other borrowings from independent third parties			
— Secured	25(b)	114,345,666	78,920,132
		<b>118,345,666</b>	78,920,132
Analysed as:			
— Within one year			
Bank borrowings		4,000,000	—
Other borrowings		59,284,713	39,393,073
		<b>63,284,713</b>	39,393,073
— More than one year, but not exceeding two years			
Other borrowings		50,595,823	25,289,374
— More than two years, but not exceeding four years			
Other borrowings		4,465,130	14,237,685
		<b>118,345,666</b>	78,920,132
Effective interest rates per annum for fixed rate borrowings		<b>4.29%–12.66%</b>	2.70%–14.53%

(a) Bank borrowings

The Group's bank borrowing is repayable in one year since its inception. At 31 December 2022, the bank borrowing carried weighted average effective interest rate of approximately 4.29% per annum.

The bank borrowing is secured and guaranteed by:

- (i) guarantees provided by Mr. Chau; and
- (ii) guarantees provided by a financial institution (an independent third party) of RMB4,500,000 and the related finance costs of late payment from the Group, if any.

All banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the subsidiary was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2022, none of the covenants relating to drawn down facilities had been breached.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25. BANK AND OTHER BORROWINGS (CONTINUED)

(b) Other borrowings

The Group's other borrowings were granted by other financial institutions (independent third parties) in the PRC. The other borrowings are repayable ranging from within one year to approximately four years since their inception. At 31 December 2022, the other borrowings carried weighted average effective interest rate of approximately 11.62% (2021: 12.34%) per annum.

The other borrowings are secured by:

- (i) security deposits of RMB32,507,278 (2021: RMB39,631,036) to secure facilities of RMB500,000,000 (2021: RMB560,000,000);
- (ii) charges over certain lease receivables of the Group with gross amount of RMB134,859,676 (2021: RMB97,917,585) and net carrying amount of RMB110,583,547 (2021: RMB79,647,664) as set out in Note 33; and
- (iii) vehicles owned by the Group's certain lessees.

The Group's bank and other borrowings are denominated in RMB which is the functional currency of the relevant group entities.

## 26. SHARE CAPITAL

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
On 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	4,000,000,000	40,000,000
<b>Issued and fully paid:</b>		
On 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	960,000,000	9,600,000
		RMB
Shown in the consolidated statement of financial position		8,503,450

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27. DEFERRED TAX ASSETS

	At 31 December 2022 RMB	2021 RMB
Deferred tax assets	<b>8,737,819</b>	3,490,112

The movements in deferred tax assets during the current and prior years are as follows:

	Loss allowance on the Lease Receivables, factoring receivables and other financial assets measured at amortised cost RMB	Depreciation of property and equipment RMB	Amortisation of intangible assets RMB	Total RMB
At 1 January 2021	2,945,840	737	89,828	3,036,405
Credit (Charge) to profit or loss	476,401	(288)	(22,406)	453,707
At 31 December 2021 and 1 January 2022	3,422,241	449	67,422	3,490,112
Credit (Charge) to profit or loss	5,270,366	(337)	(22,322)	5,247,707
At 31 December 2022	<b>8,692,607</b>	<b>112</b>	<b>45,100</b>	<b>8,737,819</b>

Notes:

- (i) At the end of the reporting period, the Group has deductible temporary differences of RMB55,452,975 (2021: RMB49,588,162).

At 31 December 2022, deferred tax assets of RMB8,737,819 (2021: RMB3,490,112) has been recognised in respect of deductible temporary differences of RMB34,951,276 (2021: RMB13,960,447) as it is forecasted that taxable profit will be available against which the deductible temporary differences can be utilised. The remaining deductible temporary differences of RMB20,501,699 (2021: RMB35,627,715) has not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

- (ii) Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2022, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to retained profits of an operating subsidiary of the Group amounting to RMB45,268 (31 December 2021: RMB1,328,990) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Except for the above, the Group's operating subsidiaries in the PRC suffered accumulated losses amounting to RMB24,079,818 (31 December 2021: RMB5,041,767) at 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 28. NON-CONTROLLING INTERESTS

The following table shows the information relating to Xincheng, incorporated on 25 February 2020, that has material non-controlling interests (“NCI”) during the year ended 31 December 2022 and 2021. The summarised financial information represents amounts before inter-company eliminations.

At the end of the reporting period, 40% (2021: 40%) of equity interests of Xincheng were owned by the non-controlling shareholders.

	<b>At 31 December</b>	
	<b>2022</b>	2021
	<b>RMB</b>	RMB
Non-current assets	<b>3,127</b>	9,381
Current assets	<b>418,805</b>	3,393,868
Current liabilities	<b>(376,664)</b>	(2,074,259)
	<hr/>	<hr/>
Net assets	<b>45,268</b>	1,328,990
	<hr/>	<hr/>
Carrying amounts of NCI	<b>18,108</b>	531,596
	<hr/>	<hr/>
	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB</b>	RMB
Revenue and other income	<b>30,188</b>	1,893,014
Expenses	<b>(1,313,909)</b>	(1,124,765)
	<hr/>	<hr/>
(Loss) Profit and total comprehensive (loss) income for the year	<b>(1,283,721)</b>	768,249
	<hr/>	<hr/>
(Loss) Profit and total comprehensive (loss) income for the year attributable to NCI	<b>(513,488)</b>	307,300
	<hr/>	<hr/>
Net cash flows from (used in):		
Operating activities	<b>17,294</b>	1,287,323
	<hr/>	<hr/>
Investing activities	<b>1,118</b>	8,573
	<hr/>	<hr/>
Financing activities	<b>–</b>	(897,185)
	<hr/>	<hr/>

Note: During the year ended 31 December 2022, no dividend (2021: RMB897,185) was paid to the NCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 29. RETIREMENT BENEFIT SCHEME

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at 16% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total costs recognised in profit or loss in respect of contributions paid or payable to the scheme by the Group for the year ended 31 December 2022 and 2021 are set out in Note 8 and Note 10 to the consolidated financial statements.

## 30. RECONCILIATION OF LIABILITIES AND ASSETS ARISING FROM FINANCING ACTIVITIES

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

	Security deposits RMB	Bank and other borrowings RMB	Dividend payable RMB	Total RMB
At 1 January 2022	(39,631,036)	78,920,132	–	39,289,096
Financing cash flows	7,123,758	39,425,534	–	46,549,292
At 31 December 2022	(32,507,278)	118,345,666	–	85,838,388
At 1 January 2021	(52,000,000)	49,889,301	–	(2,110,699)
Financing cash flows	12,368,964	29,030,831	(897,185)	40,502,610
Non-cash changes				
Dividend to NCI	–	–	897,185	897,185
At 31 December 2021	(39,631,036)	78,920,132	–	39,289,096

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 31. CAPITAL RISK MANAGEMENT

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 the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank and other borrowings as set out in Note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and bank and other borrowings. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

## 32. FINANCIAL RISK MANAGEMENT

### Categories of financial instruments and the Lease Receivables

	At 31 December	
	2022	2021
	RMB	RMB
<b>Financial assets and the Lease Receivables, at amortised costs</b>		
Finance lease receivables	26,834,135	69,074,915
Receivables arising from sale and leaseback arrangements	134,827,882	130,865,109
Factoring receivables	60,927,758	31,275,298
Loans to related parties	5,438,000	853,466
Deposits and other receivables	11,157,443	8,376,609
Finance leasing advisory service receivables	1,052,756	2,513,511
Account receivables	20,891,670	12,320,929
Security deposits for other borrowings	32,507,278	39,631,036
Bank balances and cash	57,645,902	27,638,418
	<b>351,282,824</b>	<b>322,549,291</b>
<b>Financial liabilities, at amortised costs</b>		
Account payables	12,996,774	11,700,183
Other payables	19,035,145	17,717,932
Deposits received from leasing customers	6,637,473	13,149,249
Bank and other borrowings	118,345,666	78,920,132
	<b>157,015,058</b>	<b>121,487,496</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies

The major financial instruments include factoring receivables, account receivables and payables, loans to related parties, deposits and other receivables, security deposits for other borrowings, bank balances and cash, finance leasing advisory service receivables, deposits received from leasing customers, other payables, bank and other borrowings and the Lease Receivables which includes finance lease receivables and receivables arising from sale and leaseback arrangements. Details of the financial instruments and the Lease Receivables are disclosed in the respective notes. The risks associated with these financial instruments and the Lease Receivables and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Although the Group has certain bank balances and cash denominated in US\$ and HK\$, and certain other payables denominated in HK\$ as set out in Notes 22 and 23, the Group's operations were principally carried out in the PRC and it mainly earned revenue and incurred costs and expenses in RMB. Therefore the management of the Group assessed that the Group's currency risk is solely attributable to the foreign currency denominated bank balances and cash and certain other payables. In addition, the Group is also exposed to other financial risks, including principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

### Currency risk

The Group's exposure to foreign currency risk arises from bank balances and cash and certain other payables. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	At 31 December 2022 RMB	2021 RMB
Assets		
HK\$	7,761,417	8,269,701
US\$	8	32,368
	<hr/>	<hr/>
Liabilities		
HK\$	-	14,717
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Currency risk (Continued)

##### Sensitivity analysis

This sensitivity analysis details the Group's sensitivity at the end of each reporting period to a 10% (2021: 10%) appreciation and depreciation in RMB against the relevant foreign currencies. 10% (2021: 10%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in pre-tax results where RMB appreciates against the relevant currency, while there would be an equal and opposite impact on the pre-tax results where RMB depreciates against the relevant currency.

	At 31 December	
	2022	2021
	RMB	RMB
HK\$	(776,142)	(825,498)
US\$	(1)	(3,237)

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the currency risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2022 and 2021.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument and a lease receivable will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates primarily to the Group's bank balances.

Management closely monitor the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the People's Bank of China are the major sources of the Group's cash flow interest rate risk. No sensitivity analysis on interest rate risk is presented as the management of the Group considered that there would not be a significant change of prevailing interest rate and the exposure of cash flow interest rate risk of the Group is insignificant.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### ***Credit risk***

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets and the Lease Receivables is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its Lease Receivables, factoring receivables, finance leasing advisory service receivables, in aggregate, ("the Receivables"), account receivables, loans to related parties, security deposits for other borrowings, deposits and other receivables and bank balances.

The credit risk on liquid funds (i.e. bank balances) is minimal as such amounts are placed in banks with good reputation.

In order to minimise the credit risk of loans to related parties and deposits and other receivables, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In relation to the Lease Receivables, the Group implemented standardised management procedures over the processes of potential customers selection, the potential customer's due diligence and application, potential customer's credit review and approval, lease disbursement, post-lending monitoring, management of non-performing Lease Receivables, and other aspects. The Group will consider taking legal actions against those customers for defaults of more than 90 days. During the year ended 31 December 2022, the Group had taken legal actions and recovered RMB1,753,525 (2021: RMB2,073,804) from those customers. At 31 December 2022, gross amount of finance lease receivables and receivables arising from sale and leaseback arrangements amounting to approximately RMB13,951,089 (2021: approximately RMB14,051,661) and approximately RMB19,817,045 (2021: approximately RMB3,305,012), respectively, was under the Group's legal action and mandatory repossession of the leased assets. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the management of the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### ***Credit risk (Continued)***

Changes in the economic environment will have an impact on the Group's leasing or factoring, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in the PRC, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The business operation department, credit assessment department, legal department, operation management committee, risk management director, finance department and assets management department in charge of different industries and regions are responsible for the management of the credit risks, and periodically report on the quality of assets to the management of the Group. The Group has established mechanisms to set credit risk limits for individual customers and periodically monitors the above credit risk limits.

#### *(1) Risk limit management and mitigation measures*

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs due diligence and credit assessment of the customer's ability to repay principal and interest, real-time supervision of the customer's actual repayment status during the project to manage credit risks.

#### *(2) Other specific management and mitigation measures include:*

##### *(a) Guarantee and collateral*

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

For finance leases and sale and leaseback arrangements, according to the characteristics of the financial lease, the Group has the ownership of the asset under the financial lease during the lease term. The Property Law of the People's Republic of China (the "Property Law") stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of lessee's default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the financial lease. The management of the Group evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

For the Group's factoring receivables, trade receivables from customers are required as pledged assets.

No guarantee or collateral is required for finance leasing advisory receivables as the individual receivable is insignificant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### **Credit risk (Continued)**

##### (2) *Other specific management and mitigation measures include: (Continued)*

###### (b) Insurance on the asset of the financial lease

For financial lease, the ownership of the financial lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents/damage occur to the asset, the lessee should immediately report to the insurance company and notify the Group, provide accident report with relevant documents and settle claims to the insurance company.

The Group's concentration of credit risk on the Receivables at 31 December 2022 included five major customers accounting for approximately 9.1% (31 December 2021: 18.5%) of the total balance of the Receivables. In addition, the management of the Group also analysed that, on the basis that if the Group's customers which were ultimately owned by the same individual or the same group of individuals were considered as a single customer, the Group's top five customers will be accounted for approximately 17.4% (31 December 2021: 31.8%) of the total balance of the Receivables.

The Group has closely monitored the recoverability of the advances to these customers, and taken effective measures to ensure timely collection of outstanding balances. The Group's business operation department will contact the customer from time to time and send payment reminders three days before each payment due date to ensure the payment could be made timely and to obtain up-to-date information relating to the customer. In the event that payment is overdue by more than two days, the Group's business operation department will immediately contact the customer to enquire the customer's operational and financial conditions as well as the reason for late payment. For financial lease, the Group's business operation staff may also conduct on-site due diligence to check whether the leased vehicle is in good condition.

When the Group encounters certain "negative signals" (such as overdue for more than 60 days, litigation relating to the customers or accidents involving leased vehicles for financial lease), certain risk control procedures will be initiated to mitigate potential losses. The Group will make telephone enquiry with the customer and/or conduct onsite due diligence if the customer defaults on its payment for 1 to 45 days. The Group will make enquiries as to the reasons for the default in payment and remind the customer to pay in accordance to the payment schedule as stated in corresponding agreement. The Group will issue demand letters when the customer defaults on its payment for more than 45 days. When the customer defaults on its payment for more than 60 days, the Group will consider to repossess the pledged assets. For customer who defaults on its payment for more than 90 days, the Group may commence litigation against the customer. In deciding whether to exercise any particular remedy, the Group may take into account considerations such as: (i) the current status and the prospects of the customer's financial condition; (ii) the difficulty of repossessing the pledged assets and realising its value; (iii) any additional collateral and guarantee offered and provided by the customer; (iv) the credit record of the customer; and (v) the customer's willingness to pay.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### **Credit risk (Continued)**

##### (2) *Other specific management and mitigation measures include: (Continued)*

The Group has closely monitored the business performance of these customers and other than the above, the Group does not have significant concentration of credit risk.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets and the Lease Receivables that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowances based on lifetime rather than 12m ECL.

In order to minimise credit risk, the Group monitors the credit risk exposure individually for certain financial assets and Lease Receivables with significant balances; for other financial assets and Lease Receivables, the Group has asked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### (2) Other specific management and mitigation measures include: (Continued)

The following table shows the Group's credit risk grading framework in respect of all the Group's financial assets and Lease Receivables:

Category	Description	Basis for recognising ECL
Performing	For financial assets and Lease Receivables where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets and Lease Receivables where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL — not credit-impaired
Default	Financial assets and Lease Receivables are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. The following table details the risk profile of finance lease receivables at 31 December 2022 and 2021.

#### At 31 December 2022

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	2,037,272	–	69,354,156	71,391,428
Weighted average ECL rate (approximately)	3.69%	–	64.14%	62.41%
Total ECL (RMB)	75,175	–	44,482,118	44,557,293
Including:				
12m ECL (RMB)	75,175	–	–	75,175
Lifetime ECL (RMB)	–	–	44,482,118	44,482,118
	<b>75,175</b>	<b>–</b>	<b>44,482,118</b>	<b>44,557,293</b>

#### At 31 December 2021

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	54,976,231	–	59,022,628	113,998,859
Weighted average ECL rate (approximately)	0.18%	–	75.95%	39.41%
Total ECL (RMB)	96,366	–	44,827,578	44,923,944
Including:				
12m ECL (RMB)	96,366	–	–	96,366
Lifetime ECL (RMB)	–	–	44,827,578	44,827,578
	<b>96,366</b>	<b>–</b>	<b>44,827,578</b>	<b>44,923,944</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Receivables arising from sale and leaseback arrangements

For receivables arising from sale and leaseback arrangements, the Group has applied the general approach in IFRS 9 to measure ECL. The following table details the risk profile of receivables arising from sale and leaseback arrangements at 31 December 2022 and 2021.

#### At 31 December 2022

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	119,360,796	8,279,574	17,440,430	145,080,800
Weighted average ECL rate (approximately)	1.03%	26.32%	39.24%	7.07%
Total ECL (RMB)	1,229,416	2,179,136	6,844,366	10,252,918
Including:				
12m ECL (RMB)	1,229,416	–	–	1,229,416
Lifetime ECL (RMB)	–	2,179,136	6,844,366	9,023,502
	1,229,416	2,179,136	6,844,366	10,252,918

#### At 31 December 2021

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	128,656,793	1,503,872	3,962,056	134,122,721
Weighted average ECL rate (approximately)	0.81%	23.49%	47.00%	2.43%
Total ECL (RMB)	1,042,120	353,326	1,862,166	3,257,612
Including:				
12m ECL (RMB)	1,042,120	–	–	1,042,120
Lifetime ECL (RMB)	–	353,326	1,862,166	2,215,492
	1,042,120	353,326	1,862,166	3,257,612

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Factoring receivables

For factoring receivables, the Group has applied the general approach in IFRS 9 to measure ECL. The following table details the risk profile of factoring receivables at 31 December 2022 and 2021.

#### At 31 December 2022

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	49,007,168	–	12,563,353	61,570,521
Weighted average ECL rate (approximately)	1.22%	–	0.36%	1.04%
Total ECL (RMB)	597,887	–	44,876	642,763
Including:				
12m ECL (RMB)	597,887	–	–	597,887
Lifetime ECL (RMB)	–	–	44,876	44,876
	<b>597,887</b>	<b>–</b>	<b>44,876</b>	<b>642,763</b>

#### At 31 December 2021

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	29,950,862	2,161,347	298,208	32,410,417
Weighted average ECL rate (approximately)	1.25%	28.71%	47.00%	3.50%
Total ECL (RMB)	374,386	620,575	140,158	1,135,119
Including:				
12m ECL (RMB)	374,386	–	–	374,386
Lifetime ECL (RMB)	–	620,575	140,158	760,733
	<b>374,386</b>	<b>620,575</b>	<b>140,158</b>	<b>1,135,119</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Financial risk management objectives and policies (Continued)

#### ***Credit risk (Continued)***

##### *Finance leasing advisory service receivables*

Considered no significant default history and no forward-looking factors that give rise to significant default risk on finance leasing advisory service receivables for balances at 31 December 2022 and 2021, and no material change in late payment and default risk as well as forward-looking factors during the year ended 31 December 2022 and 2021, the management of the Group estimates that the ECL for those balances is insignificant.

##### *Bank balances*

The ECL for bank balances is insignificant because such assets are placed in banks with good reputation.

##### *Other financial assets*

For other financial assets (including account receivables, loans to related parties, security deposits for other borrowings and deposits and other receivables), the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL, since there has not been a significant increase in credit risk since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk

The Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's remaining contractual maturity for its non-derivative financial assets, Lease Receivables and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets, Lease Receivables and financial liabilities by remaining contractual maturities and based on the earliest date on which the Group can be required to pay or can demand settlement at the end of the reporting period. The table includes both interest and principal cash flows.

	Weighted effective interest rate (%)	Overdue RMB	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 5 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2022 RMB
<b>At 31 December 2022</b>										
<b>ASSETS</b>										
Financial lease receivables	12.84%	12,438,580	-	934,782	1,869,566	7,188,004	8,146,956	5,042,818	35,620,706	26,834,135
Receivables arising from sale and leaseback arrangements	14.24%	5,055,724	-	7,257,523	14,202,900	59,377,915	62,413,913	5,839,809	154,147,784	134,827,882
Factoring receivables	12.16%	12,518,478	-	482,598	2,481,933	48,172,359	2,567,389	-	66,222,757	60,927,758
Finance leasing advisory service receivables	-	-	-	1,052,756	-	-	-	-	1,052,756	1,052,756
Account receivables	-	-	-	884,604	1,754,286	7,045,756	6,135,900	5,071,124	20,891,670	20,891,670
Bank balances and cash	-	-	57,645,902	-	-	-	-	-	57,645,902	57,645,902
Loans to related parties	-	-	2,900,000	-	-	2,632,000	-	-	5,532,000	5,438,000
Security deposit for other borrowings	-	-	-	-	-	-	-	32,507,278	32,507,278	32,507,278
Deposits and other receivables	-	-	11,157,443	-	-	-	-	-	11,157,443	11,157,443
<b>Total non-derivative financial assets</b>		<b>30,012,782</b>	<b>71,703,345</b>	<b>10,612,263</b>	<b>20,308,685</b>	<b>124,416,034</b>	<b>79,264,158</b>	<b>48,461,029</b>	<b>384,778,296</b>	<b>351,282,824</b>
<b>Financial guarantee contracts (Note i)</b>	-	-	1,936,230	5,484,108	10,830,860	41,417,895	35,305,334	28,445,959	123,420,386	N/A
<b>LIABILITIES</b>										
Deposits received from leasing customers	8.97%	-	-	4,168,425	-	746,733	228,285	2,805,649	7,949,092	6,637,473
Account payables	-	-	-	748,026	1,422,537	4,738,715	3,396,175	2,691,321	12,996,774	12,996,774
Bank and other borrowings	11.41%	-	-	5,885,752	11,557,024	51,786,085	54,102,972	4,533,945	127,865,778	118,345,666
Other payables	-	-	19,035,145	-	-	-	-	-	19,035,145	19,035,145
<b>Total non-derivative financial liabilities</b>		<b>-</b>	<b>19,035,145</b>	<b>10,802,203</b>	<b>12,979,561</b>	<b>57,271,533</b>	<b>57,727,432</b>	<b>10,030,915</b>	<b>167,846,789</b>	<b>157,015,058</b>
<b>Financial guarantee contracts (Note i)</b>	-	-	-	4,668,441	9,259,750	36,961,504	34,317,649	28,445,959	113,653,303	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (Continued)

	Weighted average effective interest rate (%)	Overdue RMB	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 5 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2021 RMB
At 31 December 2021										
<b>ASSETS</b>										
Finance lease receivables	13.22%	14,865,349	-	2,682,957	5,255,602	20,509,037	18,941,751	22,665,768	84,920,464	69,074,915
Receivables arising from sale and leaseback arrangements	18.10%	1,016,811	-	6,381,658	12,668,177	55,018,359	55,528,561	30,031,488	160,645,054	130,865,109
Factoring receivables	12.97%	1,698,822	-	1,510,826	2,883,244	20,305,261	5,694,416	2,566,642	34,659,211	31,275,298
Finance leasing advisory service receivables	-	-	-	1,160,980	541,012	811,519	-	-	2,513,511	2,513,511
Account receivables	-	-	-	594,916	1,187,850	5,229,475	5,180,200	128,488	12,320,929	12,320,929
Bank balances and cash	-	-	27,638,418	-	-	-	-	-	27,638,418	27,638,418
Loans to related parties	-	-	853,466	-	-	-	-	-	853,466	853,466
Security deposits for other borrowings	-	-	-	-	-	-	-	39,631,036	39,631,036	39,631,036
Deposits and other receivables	-	-	8,376,609	-	-	-	-	-	8,376,609	8,376,609
<b>Total non-derivative financial assets</b>		<b>17,580,982</b>	<b>36,868,493</b>	<b>12,331,337</b>	<b>22,535,885</b>	<b>101,873,651</b>	<b>85,344,928</b>	<b>95,023,422</b>	<b>371,558,698</b>	<b>322,549,291</b>
Financial guarantee contracts (Note i)	-	-	625,930	4,816,313	9,608,700	41,039,636	32,164,262	1,786,146	90,040,987	N/A
<b>LIABILITIES</b>										
Deposits received from leasing customers	7.36%	-	-	7,578,180	2,158,600	1,190,445	1,837,566	3,033,934	15,798,725	13,149,249
Account payables	-	-	-	524,768	1,048,653	4,592,549	4,566,226	967,987	11,700,183	11,700,183
Bank and other borrowings	13.39%	-	-	6,531,398	12,502,425	26,677,450	28,317,807	15,217,396	89,246,476	78,920,132
Other payables	-	-	17,717,932	-	-	-	-	-	17,717,932	17,717,932
<b>Total non-derivative financial liabilities</b>		<b>-</b>	<b>17,717,932</b>	<b>14,634,346</b>	<b>15,709,678</b>	<b>32,460,444</b>	<b>34,721,599</b>	<b>19,219,317</b>	<b>134,463,316</b>	<b>121,487,496</b>
Financial guarantee contracts (Note i)	-	-	-	2,799,344	5,581,050	24,521,522	23,137,046	497,938	56,536,900	N/A

Note i: The amounts represent (i) the underlying guaranteed values of the Group's Financial Guarantees and (ii) the Counter Guarantees provided by the Auxiliary Service Providers in respect of the Group's certain sale and leaseback arrangements and the Group's Financial Guarantees.

### Fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 33. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

	Note	At 31 December 2022 RMB	2021 RMB
Receivables arising from sale and leaseback arrangements	25(b)	<b>110,583,547</b>	79,647,664

These lease receivables were pledged to financial institutions, which were independent third parties, at 31 December 2022 and 2021 to secure the Group's certain other borrowings which was subsequently measured at amortised cost using the effective interest method with an effective interest rate of approximately 11.64% (2021: 12.55%) per annum. The Group has reserved significant risks and rewards of these lease receivables and continued to recognise the full carrying amount of these pledged lease receivables.

## 34. RELATED PARTY DISCLOSURES

### Related party transactions

Apart from details of the balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following significant related party transactions during the year.

Name of related parties	Relationship	Nature of transactions	Year ended 31 December	
			2022 RMB	2021 RMB
Mr. Chow Chuen Chung (Note i)	Related party	Expenses under short-term leases	<b>1,358,698</b>	1,363,249
Mr. Chau (Note ii)	Controlling shareholder	New loans made	<b>5,877,463</b>	9,028,788
		Repayments of loan	<b>3,830,929</b>	10,369,075
Ms. Chau On (Note ii)	Non-executive director	Repayments of loan	–	2,440,640
Zhentianjia (Note 15(ii))	Related party	New loan made	<b>2,350,000</b>	–
		Interest income	<b>188,000</b>	–

Notes:

(i): Mr. Chow Chuen Chung is a close family member of Mr. Chau.

(ii): These were all non-trade in nature. All of these loans were unsecured, interest-free and repayable on demand.

The remuneration of directors and key executive are with reference to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 35. COMMITMENTS

### The Group as a lessor

The Group leases out its vehicle licenses under operating leases with lease terms ranging from two years to three years. The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	<b>At 31 December</b>	
	<b>2022</b>	2021
	<b>RMB</b>	RMB
Within one year	<b>377,032</b>	396,000
More than one year but less than two years	–	377,032
	<b>377,032</b>	773,032

### The Group as a lessee

#### *Commitments under operating leases*

At 31 December 2022, the Group was committed to pay RMB2,559,003 (2021: RMB1,565,350) for short-term leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2022	2021
	RMB	RMB
<b>NON-CURRENT ASSETS</b>		
Investment in a subsidiary, at cost	138,384,857	138,384,857
Deemed investment in a subsidiary (Note i)	43,810,000	43,810,000
Property and equipment	2,632,947	3,003,041
	<b>184,827,804</b>	185,197,898
<b>CURRENT ASSETS</b>		
Amount due from a subsidiary	7,776,531	5,318,929
Prepayment, deposits and other receivables	223,994	74,648
Bank balances and cash	7,652,679	8,201,541
	<b>15,653,204</b>	13,595,118
<b>CURRENT LIABILITIES</b>		
Other payables and accrued expenses	138,004	128,431
<b>NET CURRENT ASSETS</b>	<b>15,515,200</b>	13,466,687
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>200,343,004</b>	198,664,585
<b>CAPITAL AND RESERVES</b>		
Share capital	8,503,450	8,503,450
Reserves	191,839,554	190,161,135
<b>TOTAL EQUITY</b>	<b>200,343,004</b>	198,664,585

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### Movements of the Company's reserves

	Share premium RMB	Accumulated losses RMB	Total RMB
At 1 January 2021	208,490,971	(15,957,171)	192,533,800
Loss and total comprehensive loss for the year	–	(2,372,665)	(2,372,665)
At 31 December 2021 and 1 January 2022	208,490,971	(18,329,836)	190,161,135
Profit and total comprehensive income for the year	–	1,678,419	1,678,419
<b>At 31 December 2022</b>	<b>208,490,971</b>	<b>(16,651,417)</b>	<b>191,839,554</b>

Note (i): This represented the Company's advance to its subsidiary for the capital injection in Metropolis Leasing. Such advance forms a net investment in the subsidiary, and thus was classified as a deemed investment.

## 37. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place/date of incorporation/establishment and operation	Paid-in capital	Shareholding/equity interest attributable to the Company at		Principal activities
			31/12/2022	31/12/2021	
Directly held:					
Metropolis Asia Ltd.	BVI 25 May 2009	US\$50,000	100%	100%	Investment holding
Indirectly held:					
Metropolis International Investment Holding (Hong Kong) Company Limited (信都國際投資控股集團(香港)有限公司)	Hong Kong 18 June 2009	HK\$10,000	100%	100%	Investment holding
Metropolis Leasing (Note i)	The PRC 20 October 2009	US\$32,388,773	100%	100%	Provision of finance lease, finance leasing advisory and factoring services
Xincheng (Note i)	The PRC 25 February 2020	RMB1,000,000	60%	60%	Provision of finance leasing advisory services
Joyfull Intl Investment Limited	BVI 1 February 2022	US\$50,000	100%	N/A	Investment holding
Merit Asia Pacific (HK) Limited (康德亞太(香港)有限公司)	Hong Kong 24 February 2022	HK\$10,000	100%	N/A	Inactive

None of the subsidiaries had issued any debt securities at the end of the reporting period.

Note (i): Metropolis Leasing and Xincheng are foreign owned enterprises with limited liability established in the PRC.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the latest five financial years, as extracted from the Group's annual reports, is set out below.

	<b>2022</b> <b>RMB</b>	2021 RMB	2020 RMB	2019 RMB	2018 RMB
<b>Revenue</b>	<b>48,032,340</b>	43,705,213	39,940,836	37,378,619	47,987,283
(Loss) Profit before tax	<b>(9,927,612)</b>	1,150,308	8,786,341	(46,550,144)	768,765
Income tax credit (expense)	<b>5,777,845</b>	1,139,772	496,437	(3,432,812)	(324,530)
<b>(Loss) Profit and total comprehensive (loss) income for the year</b>	<b>(4,149,767)</b>	2,290,080	9,282,778	(49,982,956)	444,235
<b>(Loss) Profit and total comprehensive (loss) income for the year attributable to owners of the Company</b>	<b>(3,636,279)</b>	1,982,780	8,161,297	(49,982,956)	444,235
	<b>2022</b> <b>RMB</b>	2021 RMB	2020 RMB	2019 RMB	2018 RMB
Non-current assets	<b>91,843,871</b>	128,654,571	109,098,953	85,281,161	99,347,128
Current assets	<b>291,280,571</b>	216,579,639	226,353,453	200,867,701	230,709,294
Total assets	<b>383,124,442</b>	345,234,210	335,452,406	286,148,862	330,056,422
Non-current liabilities	<b>57,368,489</b>	43,109,010	26,432,947	30,560,684	32,362,381
Current liabilities	<b>122,684,118</b>	94,903,598	103,190,752	59,042,249	74,075,190
Total liabilities	<b>180,052,607</b>	138,012,608	129,623,699	89,602,933	106,437,571
<b>Total equity</b>	<b>203,071,835</b>	207,221,602	205,828,707	196,545,929	223,618,851