CHINA HUIRONG FINANCIAL HOLDINGS LIMITED
中 國 匯 融 金 融 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1290

ANNUAL REPORT 2022

WE ARE COMMITTED TO BEING A LEADING COMPREHENSIVE FINANCING SERVICE PROVIDER IN CHINA.

We are dedicated to providing diversified financial services such as pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment and special asset investment to our customers.

Our business currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and Hong Kong and is striving to become a leading service provider of inclusive finance and ecology finance in the PRC.

CONTENTS

Corporate Information	02
Financial Summary	04
Chairman's Statement	05
Management Discussion and Analysis	06
Directors and Senior Management	32
Directors' Report	39
Corporate Governance Report	61
Risk Management and Internal Control Report	76
Environmental, Social and Governance Report	86
Independent Auditor's Report	99
Consolidated Statement of Comprehensive Income	105
Consolidated Statement of Financial Position	106
Consolidated Statement of Changes in Equity	108
Consolidated Statement of Cash Flows	110
Notes to the Consolidated Financial Statements	111
Definitions	195
Glossary	200

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Min *(Chairman)*
Mr. Qiu Wei *(Chief Executive Officer)*[1]
Mr. Zhang Changsong *(Vice President)*[2]
Mr. Yao Wenjun *(Vice President)*[1]

Non-executive Directors

Mr. Zhuo You[3]
Mr. Zhang Cheng[3]
Ms. Zhang Shu
Mr. Ling Xiaoming

Independent Non-executive Directors

Mr. Liang Jianhong
Mr. Feng Ke
Mr. Tse Yat Hong

COMMITTEE COMPOSITION

Audit Committee

Mr. Tse Yat Hong *(Chairman)*
Mr. Feng Ke
Ms. Zhang Shu

Remuneration Committee

Mr. Liang Jianhong *(Chairman)*
Mr. Tse Yat Hong
Mr. Wu Min

Nomination Committee

Mr. Wu Min *(Chairman)*
Mr. Feng Ke
Mr. Liang Jianhong

JOINT COMPANY SECRETARIES

Mr. Chai Kun
Ms. Leung Ching Ching[4]
Ms. Kam Mei Ha Wendy[5]

AUTHORISED REPRESENTATIVES

Mr. Wu Min
Ms. Leung Ching Ching[4]
Ms. Kam Mei Ha Wendy[5]

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, No. 238
Des Voeux Road Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

9th Floor, Building A, No. 288 Yingchun Road,
Wuzhong District, Suzhou
Jiangsu Province, the PRC

1. Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive Directors of the Company with effect from 26 May 2022.
2. Mr. Zhang Changsong has retired as Chief Financial Officer of the Company with effect from 8 February 2023.
3. Mr. Zhang Cheng and Mr. Zhuo You have retired as non-executive Directors of the Company with effect from the conclusion of the annual general meeting held on 26 May 2022.
4. Ms. Leung Ching Ching has resigned as a joint company secretary and an authorised representative of the Company with effect from 26 August 2022.
5. Ms. Kam Mei Ha Wendy has been appointed as a joint company secretary and an authorised representative of the Company with effect from 26 August 2022.

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

PRINCIPAL BANKS

Jiangsu Bank, Suzhou Branch
Suzhou Bank, Suzhou Branch

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Mayer Brown
Haiwen & Partners

COMPANY'S WEBSITE

www.cnhuirong.com

STOCK CODE

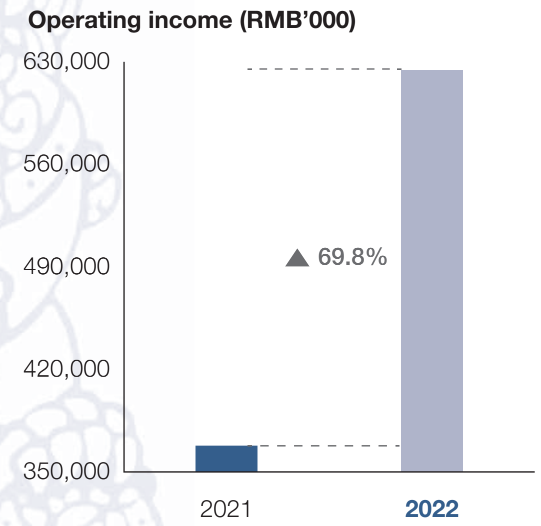
The shares of the Company are listed on the main board of the Stock Exchange

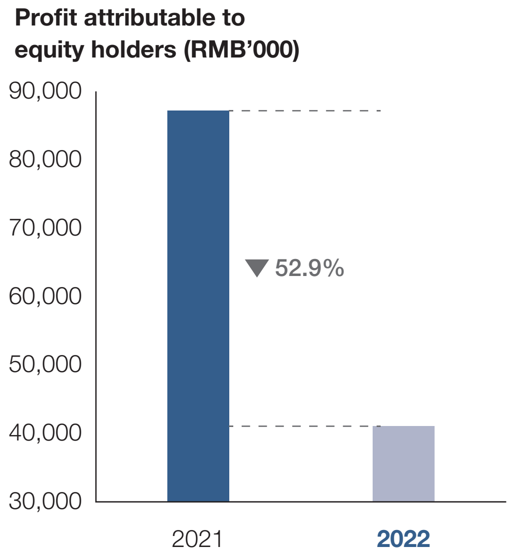
01290

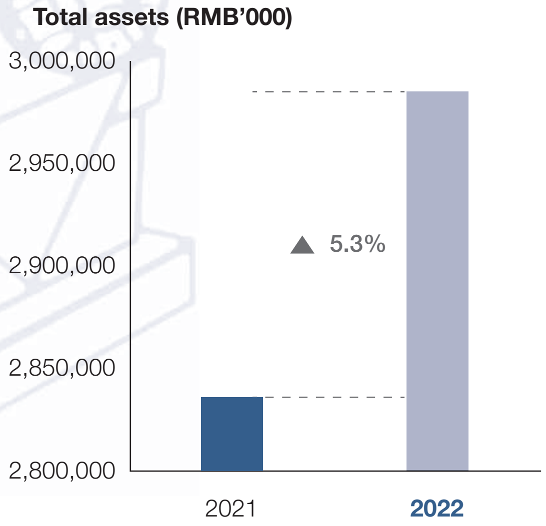
FINANCIAL SUMMARY

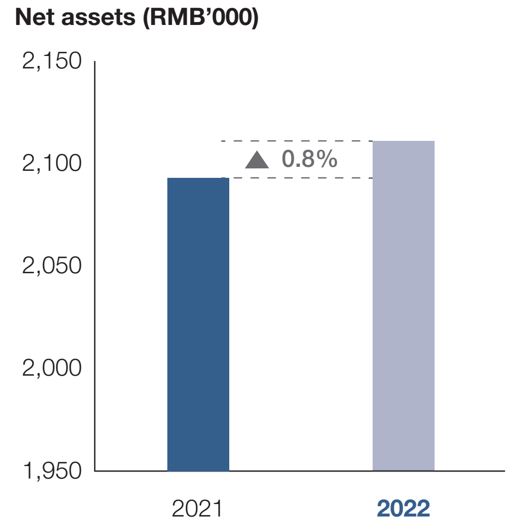
	For the year ended or as at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Results					
Operation income*	**624,474**	367,825	259,806	344,134	330,229
Profit attributable to equity holders	**41,057**	87,169	2,216	50,429	60,996
Financial Position					
Total assets	**2,985,146**	2,836,195	2,532,555	3,001,631	2,800,226
Cash at bank and on hand	**309,139**	483,347	434,080	1,047,858	810,138
Loans to customers	**2,107,055**	1,815,077	1,814,211	1,703,704	1,738,283
Total liabilities	**873,816**	742,461	590,657	1,053,187	903,198
Net assets	**2,111,330**	2,093,734	1,941,898	1,948,444	1,897,028

* Following a change in the nature of the Group's operations, operating income for the year ended 31 December 2021 and 2022 includes interest income, revenue from sales of goods, consultancy fee income, and commission fee income. Operating income for the years ended 31 December 2018, 2019 and 2020 include interest income, consultancy fee income, and commission fee income.









CHAIRMAN'S STATEMENT

We have positioned ourselves as a financial service provider which offers diversified products to SMEs and individuals. By insisting on the dual strategy of "inclusive finance and ecology finance", we strive to become a comprehensive financial service group integrating pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment, special asset investment, etc.

On behalf of the board of directors of China Huirong Financial Holdings Limited, I am pleased to present the annual report for the year ended 31 December 2022.

In 2022, in the context of repeated epidemic, macroeconomic downturn and intense market competition, the Company closely focused on the business strategy of"keeping in mind one center, advancing with two wheels, exploring three fields, focusing on four requirements and enhancing five capabilities" and the overall trend of development continued to be stable while making progress. In terms of business development, Nanchang Pawnshop was newly established and the pawnshop business was expanded to Jiangxi Province. The Company deepened cooperation with auction companies and well-known domestic collectors, the art investment business income increased significantly. The commercial factoring business actively carried out financing and the interest income increased significantly. The financing advisory team has been established, and the application for the establishment of the financial leasing company has been completed. The influence of the industry has continued to improve. Wuzhong Pawnshop was elected as the president unit of Jiangsu Pawnshop Industry Association. Dongshan Micro-finance was awarded the five-star statistical unit of local financial organizations in Jiangsu Province. Huida Factoring was awarded the Robust Award for the 10th Anniversary (2012–2022) of the Development of China's Commercial Factoring Industry. In terms of corporate governance, the company has achieved notable results in refined management and information construction. The risk management and internal control construction have been comprehensively strengthened. The overall quality and ability of employees have been significantly improved and the brand building has entered a new stage of high-quality development.

Hereby I would like to express my sincere gratitude on behalf of the Board to all of our staff for their diligent contribution and to all shareholders for their full support.

In 2023, the Company will continue to fulfill the requirements of the Board of Directors, "manage the surplus in hand, provide a platform for a convenient life, solve temporary problems, and cheer up SMEs", and insist on the business philosophy of "intensive management and refined management". The Company will explore and develop new business, and constantly improve the profit contribution of new business, in order to achieve the complementarity and symbiosis of the traditional business and new business. We will continue to improve the level of refined management, cater to the customer needs, deepen the integration of business and finance, strengthen liquidity management, and accelerate the information iteration. In order to create a good, professional, innovative young cadre team, we will also strengthen the talent construction. In addition, the Company will expand the new market, make full use of internal and regional resources, further expand the business area, explore solutions to capital and market problems, and continue to build its core competitiveness through multiple means such as business model innovation, product innovation and marketing innovation.

A great vision, simple and pure, requires credible actions. In 2023, we will reunite our hearts and spirits for the 10th anniversary!

China Huirong Financial Holdings Limited
WU Min
Chairman of the Board of Directors

28 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

With the goal of achieving nationwide business coverage, the Company has fully leveraged its status as a listed company in Hong Kong and its access to the international capital markets and implemented the dual strategy of "inclusive finance plus ecology finance", striving to offer comprehensive financial services to small and medium enterprises ("SMEs") and individual clients alike as well as offer quality and safe financial assets to investors and financial institutions. As our brand has been well recognized by the public with our stable asset quality and our continuously improved profitability, we have gradually developed into a company that offers comprehensive finance services.

In 2022, the Company insisted on its business strategy of "keeping in mind one center, advancing with two wheels, exploring three fields, focusing on four requirements and enhancing five capabilities". In terms of business expansion, Nanchang Pawnshop was newly established and the pawnshop business has expanded to Jiangxi Province. The movable property backed loans and the art investment business have developed rapidly. The commercial factoring business has continued to develop steadily with a scale of more than RMB320 million. The equity investment business has successfully landed a fund in a double general partners ("Double GP") cooperation model. The supply chain management business has deeply cultivated the field of consumer goods and has become a new source of growth in our income. In terms of internal management, the integration of business and finance has been promoted and the financing structure has been adjusted to reduce financial costs. Performance evaluation was implemented to cover all employees, and the human resource efficiency has been improved. Business management information systems have been implemented across the two business divisions, which have acquired the three-level certification for national information security protection. The Group has also strictly abided by the fundamental importance of asset safety and has established a risk management system against "all staff, all products and all processes". The Company has built a brand exhibition hall, party building exhibition hall and poverty alleviation exhibition hall to enrich its corporate culture.

1. BUSINESS REVIEW AND DEVELOPMENT

1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Wuzhong Pawnshop, Changsha Pawnshop, Nanchang Pawnshop, Dongshan Micro-finance, Huifang Rongtong, Nanjing Yiling and Huirong Culture. The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and movable property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha and Nanchang, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) Pawnshop Business

The following table sets out the details of total transaction amount, number and income of loans granted as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	671	782
Total transaction number of new movable property backed loans	1,451	693
Total transaction amount of new secured loans (RMB million)		
Total transaction amount of new real estate backed loans	564	619
Total transaction amount of new movable property backed loans	152	36
Balance of secured loans at the end of the Reporting Year (principal) (RMB million)		
Balance of real estate backed loans at the end of the Reporting Year (principal)	754	744
Balance of movable property backed loans at the end of the Reporting Year (principal)	73	39
Interest income of secured loans (RMB thousand)		
Interest income of real estate backed loans	57,004	65,035
Interest income of movable property backed loans	17,347	4,384
Total transaction number of new unsecured loans	38	53
Total transaction amount of new unsecured loans (RMB million)	720	931
Balance of unsecured loans at the end of the Reporting Year (principal) (RMB million)	370	386
Interest income of unsecured loans (RMB thousand)	24,578	37,335

The pawnshop business mainly relies on Wuzhong Pawnshop, Changsha Pawnshop and Nanchang Pawnshop as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the series of Contractual Arrangements. Wuzhong Pawnshop is one of the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Nanchang Pawnshop, established in 2022 with a registered capital of RMB30 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests of Nanchang Pawnshop.

The pawnshop business primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and movable property backed loans.

① Real Estate Backed Loans

Real estate backed loans primarily provide personal or corporate financing services to customers who have obtained real estate certificates. Business risks are comprehensively assessed based on customer credit status, real estate value, customer industry analysis and solvency, etc. The loan amount does not exceed 80% of the total evaluation price. The interest rates range from 8% to 24% per annum and the loan term is no longer than 1 year. The operation area is mainly in core urban areas of Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and other cities in the PRC. The target customers are mainly distributed across manufacturing, beverage, retail, trade and other industries. As of 31 December 2022, the total number of customers was 554, and the five largest customers contributed, in aggregate, 41.11% of the balance of real estate backed loans at the end of the Reporting Year (principal). As one of the core products of the Inclusive Finance Business Division, secured loans have high-quality customer resources and have maintained a sound and steady trend of development.

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of real estate backed loans granted by the Company were RMB754 million and RMB57,004 thousand, respectively, representing an increase in balance and a decrease in interest income as compared with the corresponding period of last year. The main reason was the lower credit threshold of commercial banks and the intensification of market competition, the Company has appropriately lowered the interest rate during the Reporting Year.

The main risks and uncertainties faced by the real estate backed loans include real estate value fluctuation risk, regulatory policy change risk, credit policy change risk, liquidity risk, credit risk, etc.

In 2022, the Company actively carried out external cooperation, flexibly adjusted its business model and actively explored a multi-product business route of the real estate backed loans that met the development requirements. Besides the existing residential and commercial properties backed loans, the Company expanded the industrial properties backed loans. In order to strengthen its dominant position in the pawnshop industry in the PRC, the Company established Nanchang Pawnshop in Nanchang, Jiangxi Province of the PRC on 2 December 2022, with a registered capital of RMB30 million. The development direction of the real estate backed loans in the future is to continue to implement its national expansion strategy by establishing one or two pawnshops in provincial capital cities per year and expanding its business to 10 to 12 cities by 2025.

② Movable Property Backed Loans

The movable property backed loans mainly provide fast movable property backed financing services to individuals, and the product categories cover artworks, gold, jewelry, diamonds, watches, luxury goods, etc. The loan amount does not exceed 95% of the total evaluation price. The interest rates and comprehensive rates range from 8% to 54% per annum and the loan term is within 1 year. The operation area is mainly in core urban areas of Suzhou. The businesses in Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and other cities are also gradually expanding. The target customers are mainly distributed across manufacturing, agriculture, retail and other industries. As of 31 December 2022, the total number of customers was 778, and the five largest customers contributed, in aggregate, 83.6% of the balance of movable property backed loans at the end of the Reporting Year (principal).

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of movable property backed loans granted by the Company were RMB73 million and RMB17,347 thousand, respectively, representing an increase as compared with the corresponding period of last year. The main reason was that the Company expanded artwork pawnshop business in response the financing needs of high net worth people, which effectively expanded the business scale.

The main risks and uncertainties faced by the movable property backed loans include collateral appraisal risk, collateral valuation risk, regulatory policy change risk, credit risk, etc.

In 2022, the movable property backed loans actively expanded the categories of collateral properties and accelerated the expansion of the business area. The development direction of the movable property backed loans in the future is to strengthen the inter-industry cooperation and the level of digitization of stores, and improve customer satisfaction.

③ Unsecured loans

The unsecured loans mainly provide equity financing services for SMEs. Business risks are comprehensively assessed based on the enterprise operation, financial conditions, industry development and debt repayment ability, etc. The loan amount does not exceed 50% of the total equity evaluation price. The interest rates range from 8% to 24% per annum and the loan term is 6 months. The operation area is mainly in Suzhou. The target customers are mainly distributed across manufacturing, construction, investment and other industries. As of 31 December 2022, the total number of customers was 22, and the five largest customers contributed, in aggregate, 47.51% of the balance of unsecured loans at the end of the Reporting Year (principal).

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of unsecured loans granted by the Company were RMB370 million and RMB24,578 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The reason was that the macroeconomic downturn has increased the pressure on enterprise operation. In order to reduce the credit risk, the Company has appropriately reduced the business scale of equity interest backed loans.

The main risks and uncertainties faced by the unsecured loans include regulatory policy change risk, credit policy change risk, credit risk and liquidity risk, etc.

In 2022, the Company paid attention to the actual business situation of the customers who were granted unsecured loans and supported customers to resume operation and production in the post-pandemic era. The development direction of the unsecured loans in the future is to form new strategic partnerships, prudently control the existing business balance, and seek a small-sums and dispersed transformation direction.

For the pawnshop business, the Company adopts comprehensive internal control measures. The pre-loan measures mainly include implementing the policy of separating the process of checking from actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and ensures implementation of the operational risk and non-performing loan accountability mechanism. The post-loan measures mainly include implementing post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business mainly include strictly aligning overdue business with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) Micro-finance business

The following table sets out the details of total new loans secured by real estate, guaranteed loans and credit loans as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total number of new loans granted	**212**	158
Total amount of new loan granted (RMB million)	**458**	333
Balance at the end of the Reporting Year (principal) (RMB million)	**407**	339
Interest income (RMB thousand)	**36,753**	36,962

The micro-finance business mainly relies on Dongshan Micro-finance as the entity to carry out its business. Dongshan Micro-finance, established in 2012 with a registered capital of RMB300 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company, Suzhou Wuzhong District Dongshan Town Collective Assets Management Co., Ltd.* (蘇州市吳中區東山鎮集體資產經營公司) and other entities. The Company holds 70% of the equity interests of Dongshan Micro-finance. Dongshan Micro-finance is also a micro-finance company rated "AAA" in Jiangsu Province.

Dongshan Micro-finance primarily engages in providing small loans and financial services such as finance guarantee for SMEs and individuals. Loans mainly include secured loans, guaranteed loans and credit loans.

Business risks of secured loans are comprehensively assessed based on the Company's credit status, collateral value, industry analysis and cash flow, etc. The loan amount does not exceed 75% of the total evaluation price. The interest rates range from 9% to 18% per annum and the loan term ranges from 5 months to 12 months. As of 31 December 2022, the balance at the end of the Reporting Year (principal) of the secured loans is RMB204 million. The operation area is mainly in Suzhou. The target customers are mainly distributed across agriculture, beverage, service and other industries. As of 31 December 2022, the total number of customers was 84, and the five largest customers contributed, in aggregate, 37.08% of the balance of secured loans at the end of the Reporting Year (principal).

Business risks of guaranteed loans are comprehensively assessed based on the company's operating conditions, financial situation, industry development, etc. The interest rates range from 12% to 18% per annum and the loan terms range from 3 months to 12 months. As of 31 December 2022, the balance at the end of the Reporting Year (principal) of the guaranteed loans is RMB91 million. The operation area is mainly in Suzhou. The target customers are mainly distributed across manufacturing, trade, investment and other industries. As of 31 December 2022, the total number of customers was 33, and the five largest customers contributed, in aggregate, 42.91% of the balance of guaranteed loans at the end of the Reporting Year (principal).

Business risks of credit loans are comprehensively assessed based on the individual's or company's credit status, enterprise operation, asset conditions and solvency, etc. The interest rates range from 8% to 16% per annum and the loan terms range from 3 months to 12 months. As of 31 December 2022, the balance at the end of the Reporting Year (principal) of the credit loans is RMB114 million. The operation area is mainly in Suzhou. The target customers are mainly distributed across trade, gardening, investment and other industries. As of 31 December 2022, the total number of customers was 15, and the five largest customers contributed, in aggregate, 47.55% of the balance of credit loans at the end of the Reporting Year (principal).

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of micro-finance business were RMB407 million and RMB36,753 thousand, respectively, representing an increase in balance and a decrease in interest income as compared with the corresponding period of last year. The main reason was that the number of existing loans recovered in the Reporting Year decreased compared with the corresponding period of last year.

The main risks and uncertainties faced by the micro-finance business include real estate valuation risk, credit risk, regulatory policy change risk, credit policy change risk and liquidity risk, etc.

In 2022, in order to actively enhance our brand awareness and influence, our Group strengthened the digitization of the micro-finance business and diversified external cooperation. The development direction of micro-finance business in the future is to intensify the service to technology-based and low-carbon SMEs and fulfill the social responsibility of inclusive finance to promote regional economic development on the basis of bringing stable dividends to shareholders.

For the micro-finance business, the Company adopts comprehensive internal control measures. The pre-loan measures mainly include implementing the policy of separating the process of checking from actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures mainly include implementing post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business mainly include aligning overdue business with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(c) Turnover Loan Fund Business

The following table sets out the details of total new loans granted to SMEs and individuals under our turnover loan fund business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total number of new loans granted	761	388
Total new loan amount granted (RMB million)	4,357	2,252
Balance at the end of the Reporting Year (principal) (RMB million)	30	67
Interest income (RMB thousand)	10,872	5,137

The turnover loan fund business mainly relies on Huifang Rongtong as the entity to carry out its business. Huifang Rongtong, established in 2017 with a registered capital of RMB75 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Suzhou Wuzhong Financial Holdings Group Limited* (蘇州市吳中金融控股有限公司), a company owned by the Wuzhong District Government in Suzhou of Jiangsu Province. The Company holds 80% of the equity interests of Huifang Rongtong. Such government-enterprise cooperation fund is scarce in Suzhou and even Jiangsu Province.

The turnover loan fund business serves as a bridge between banking institutions and SMEs. It focuses on serving SMEs and local government platforms with the needs of turnover loans. Business risks are comprehensively assessed based on the company's credit status, enterprise operation, financial conditions and bank credit conditions, etc. The interest rates range from 14.8% to 15.2% per annum and the loan terms range from 1 day to 31 days. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, construction, trade and other industries. As of 31 December 2022, the total number of new loan customers granted was 658, and the five largest customers contributed, in aggregate, 8.52% of the total new loan amount granted.

As of 31 December 2022, the balance of turnover loan fund business at the end of the Reporting Year (principal) was RMB30 million, representing a significant decrease as compared with the corresponding period of last year. The main reason was that the turnover loan fund business has the characteristics of short loan terms and high turnover rate, and thus the balance fluctuates greatly. As of 31 December 2022, the interest income of turnover loan fund business was RMB10,872 thousand, representing a significant increase as compared with the corresponding period of last year. This was mainly due to the strong demand from customers for turnover loan fund business during the Reporting Year, and the strategic cooperation between the Company at the head office level and some regional banks has achieved remarkable results.

The main risks and uncertainties faced by the turnover loan fund business include regulatory policy change risk, credit risk, etc.

In 2022, the turnover loan fund business continued to take advantage of the opportunity of joining the Suzhou municipal-level turnover loan service platform to expand its brand influence and expand its market share. The development direction of turnover loan fund business in the future is to act as a bridge between banks and SMEs, actively mobilize resources from all parties and achieve full coverage of qualified SMEs with turnover loan needs in Suzhou Wuzhong District and even Suzhou under the guidance of the municipal-level turnover loan service platform.

For the turnover loan fund business, the Company adopts comprehensive internal control measures. The pre-loan measures mainly include implementing the policy of separating the process of checking from actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures mainly include implementing post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business mainly include aligning overdue business with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(d) Art Investment Business

The following table sets out the operating information of the art investment business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number of new artworks	**9**	8
Total transaction amount of new artworks (RMB million)	**102**	134
Total amount of artworks trading stock at the end of the Reporting Year (RMB million)	**135**	101
Artworks business income (RMB thousand)	**17,231**	5,294

The art investment business mainly relies on Nanjing Yiling as the entity to carry out its business. Nanjing Yiling, established in 2021 with a registered capital of RMB55 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and Nanjing Yili Culture Development Co., Ltd.* (南京藝力文化發展有限公司). The Company holds 55% of the equity interests of Nanjing Yiling. Nanjing Yiling conducts artwork investment, artwork custody, artwork disposal and other businesses.

The art investment business covers all categories of artworks, including Chinese modern painting and calligraphy, international contemporary painting and calligraphy, ancient antiques and sculptures. Its business covers the whole of Mainland China. The target customers are mainly major auction companies and well-known domestic collectors.

As of 31 December 2022, the total amount of artworks trading stock at the end of the Reporting Year and the artworks business income of art investment business were RMB135 million and RMB17,231 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason was that after the completion of business model validation, the Company deepened its cooperation with major auction houses and effectively expanded the scale of art investment.

The main risks and uncertainties faced by art investment business include regulatory policy change risk, artworks valuation risk, artworks transportation and storage risk, credit risk, liquidity risk, art market systemic risk, etc.

In 2022, the art investment business has cooperated with many well-known domestic auction houses, the business scale has rapidly expanded, and the profit contribution has gradually increased. The development direction of art investment business in the future is to strive to build a comprehensive system that serves the entire art industry, and develop Nanjing Yiling into a well-known comprehensive art service organization in the Mainland China, covering art investment, art appraisal and storage, art auction agency, art exhibition and other services.

(e) Luxury Sales Business

The following table sets out the operating information of the luxury sales business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number	109	943
Sales income (RMB thousand)	1,298	10,445

The luxury sales business mainly relies on Wuzhong Pawnshop and Huirong Culture as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Wuzhong Pawnshop is the largest pawnshop in Mainland China and the main sales platform of luxury sales business. Huirong Culture, established in 2022 with a registered capital of RMB1 million, is an indirect wholly-owned subsidiary of the Company.

With the help of the Company's popularity and business experience in the pawnshop industry and on the basis of the original sales of pawn products, the Company built some pawnshops into influential comprehensive luxury service platforms offering luxury pawn, maintenance, recycling and consignment services, integrating financial services and retail. The operation area is mainly in Suzhou. The target customers are mainly luxury retailers and individual consumers.

As of 31 December 2022, the total transaction number and the sales income of luxury goods were 109 and RMB1,298 thousand, respectively, representing a significant decrease in total transaction number and sales income as compared with the corresponding period of last year. The main reason was the adjustment of the business statistical caliber of the Company, where the luxury sales business no longer takes into account enterprises but only individual customers.

The main risks and uncertainties faced by luxury sales business include regulatory policy change risk, luxury goods appraisal risk, liquidity risk, luxury market systemic risk, etc.

In 2022, the flagship store of Zhonghui Financial Building was officially opened to explore an innovative mode of "art museum+exhibition hall" in the form of semi-retail and semi-exhibition hall. The development direction of luxury sales business in the future is to conduct multi-dimensional integration of luxury goods and pawnshops and cooperate with overseas well-known vintage brands to create a luxury goods online-to-offline sales platform with the construction of regional live broadcast platform and online shopping mall platform.

1.2 Ecology Finance Business Division

The Ecology Finance Business Division conducts its business through platforms such as Huida Factoring, Huifang Supply Chain, Huifang Rongcui, Huifang Tongcui, Qingdao Wanchen, Suzhou Cibei, Huifang Anda and Sichuan Aomeishu, adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) Commercial Factoring Business

The following table sets out the operating information of the commercial factoring business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total number of new transaction relating to account receivables assignment	**22**	21
Total amount of new transaction relating to account receivables assignment (RMB million)	**160**	156
Balance at the end of the Reporting Year (principal) (RMB million)	**324**	243
Interest income (RMB thousand)	**27,648**	15,752

The commercial factoring business mainly relies on Huida Factoring as the entity to carry out its business. Huida Factoring, established in 2016 with a registered capital of RMB170 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and three other state-owned and collective capital companies: Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) and Suzhou Wuzhong City Construction Investment Development Co.,Ltd.* (蘇州市吳中城市建設投資發展有限公司). The Company holds 52.94% of the equity interests in Huida Factoring.

Huida Factoring is principally engaged in accepting assignment of account receivable from SMEs and installment of account receivables. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial conditions, receivables and industry development factors based on customers' credit status. The loan amount does not exceed 80% of the total amount of receivables. The interest rates range from 6.5% to 13% per annum and the loan term is within 5 years. The operation area is mainly in Suzhou. The target customers are mainly distributed across construction, manufacturing and other industries. As of 31 December 2022, the total number of customers was 16, and the five largest customers contributed, in aggregate, 60% of the balance at the end of the Reporting Year (principal).

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of Huida Factoring were RMB324 million and RMB27,648 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason was the expansion of the business scale after the continuous advancement of bank financing.

The main risks and uncertainties faced by commercial factoring business include credit risk, receivable risk, regulatory policy change risk, etc.

In 2022, the marketization process of the commercial factoring business was further accelerated, the business scale expanded rapidly, and post-loan management was effectively improved. Huida Factoring was awarded the 2022 Suzhou Factoring Association Service Real Economy Award, and the Robust Award for the 10th Anniversary (2012–2022) of the Development of China's Commercial Factoring Industry. The development direction of commercial factoring business in the future is to attach importance in promoting financing in more dimensions, continue to expand the business scale, strengthen digital construction and build a rich and diversified product system.

For the commercial factoring business, the Company adopts comprehensive internal control measures. The pre-loan measures mainly include implementing the policy of separating the process of checking from actual lending and the policy of graded examination and approval. These measures require that the responsibilities of each approval function be clarified, and the operational risk and non-performing loan accountability mechanism be implemented. The post-loan measures mainly include implementing post-loan management, post-event supervision, and compliance monitoring and management systems. These measures require real-time monitoring and management of business processes and risks, quarterly post-loan inspections for each product, and special inspections from time to time. The measures for overdue business mainly include aligning overdue business with the post-loan management measures. The management system will give an early warning notice before the expiration of each business, and the operating unit will report to the risk control department in a timely manner and report the disposal plan at the same time to ensure asset quality.

(b) Supply Chain Management Business

The following table sets out the operating information of the supply chain management business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number	**1,017**	588
Total transaction number of grain and oil	**193**	165
Total transaction number of fresh produce	**421**	104
Total transaction number of liquor	**305**	289
Total transaction number of other goods	**98**	30
Sales income (RMB thousand)	**363,505**	114,622
Sales income of grain and oil	**239,807**	91,833
Sales income of fresh produce	**31,911**	92
Sales income of liquor	**1,803**	1,132
Sales income of other goods	**89,984**	21,565

The supply chain management business mainly relies on Huifang Supply Chain as the entity to carry out its business. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company. It was committed to focus on new supply chain scenarios mainly for grain and oil, fresh produce, liquor, mobile terminal and other consumer goods fields. Currently, Huifang Supply Chain has cooperated with ZTE CORPORATION* (中興通訊股份有限公司), Yihai Kerry Arawana Holdings Co., Ltd* (益海嘉里金龍魚糧油食品股份有限公司), Luzhou Lao Jiao Co., Ltd* (瀘州老窖股份有限公司), New Hope Group Co., Ltd* (新希望集團有限公司) and many other well-known enterprises.

As of 31 December 2022, the total transaction number of supply chain management business and the sales income were 1,017 and RMB363,505 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason was that the Company deeply cultivated the field of consumer goods, and the convenient, safe and efficient service mode has been recognized by customers and the scale of sales has been further expanded.

The main risks and uncertainties faced by supply chain management business include cargo transportation risk, cargo custody risk, customer default risk, etc.

In 2022, Huifang Supply Chain expanded the types of goods such as grain and oil and mobile terminals in order to expand its business scale and serve more customers. The development direction of supply chain management business in the future is to build its own supply chain Software as a Service ("SaaS") platform, carry out digital financial innovation and expand more product categories.

(c) Equity Investment Business

The following table sets out the operating information of the equity investment business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number of new investment	**7**	2
Total transaction principal amount of new investment (principal) (RMB million)	**42**	15
Balance of investment at the end of the Reporting Year (principal) (RMB million)	**57**	15
Investment income (RMB thousand)	**2,764**	—

The equity investment business mainly relies on Huifang Rongcui and Huifang Tongcui as entities to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect non-wholly owned subsidiary of the Company. Huifang Tongcui, established in 2022 with a registered capital of RMB20 million, is an indirect non-wholly owned subsidiary of the Company. Aiming at creating a business pattern of coordinated development of creditor's rights and equity, the equity investment business cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, semiconductor, new energy, biomedicine and other strategic emerging industries.

The main risks and uncertainties faced by equity investment business include the risk of business deterioration of the invested enterprise, the risk of regulatory policy changes, the systematic risk of financial market, contract risk, etc.

As of 31 December 2022, Huifang Rongcui cooperated with six senior equity investment institutions, intended investment being RMB75 million, with actual investment of RMB47 million. These include (i) RMB10 million of planned investment in Suzhou Qianhui Xinli Venture Investment Partnership (LP)* (蘇州乾匯信立創業投資合夥企業(有限合夥)) (fund management being Suzhou Qianhui Zhitou Investment Management Co., Ltd* (蘇州乾匯智投資本管理有限公司) ("Qianhui Investment")), with actual investment of RMB10 million; (ii) RMB10 million of planned investment in Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP)* (蘇州中鑫恆遠創業投資合夥企業(有限合夥)) ("Zhongxin Hengyuan") (fund management being Suzhou Zhongxin Innovation Investment Management Co., Ltd.* (蘇州中鑫創新投資管理有限公司)), with actual investment of RMB8 million; (iii) RMB20 million of planned investment in Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP)* (蘇州乾融園豐創業投資合夥企業(有限合夥)) ("Suzhou Qianrong") (fund management being Jiangsu Qianrong Capital Management Co., Ltd.* (江蘇乾融資本管理有限公司)), with actual investment of RMB12 million; (iv) RMB20 million of planned investment in Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP)* (蘇州吳中天凱匯瑞創業投資合夥企業(有限合夥)) ("Tiankai Huirui") (fund management being Suzhou Wuzhong Financial Holdings Investment Management Co., Ltd.* (蘇州市吳中金控股權投資管理有限公司)), with actual investment of RMB10 million; (v) RMB10 million of planned investment in Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP)* (蘇州康力君卓數字經濟產業投資基金合夥企業(有限合夥)) ("Kangli Junzhuo") (fund management being Suzhou Junzhuo Venture Capital Management Co., Ltd.* (蘇州君卓創業投資管理有限公司)), with actual investment of RMB2 million; (vi) RMB5 million of planned investment in Suzhou Anxin Tongying Venture Capital Partnership (LP)* (蘇州安芯同盈創業投資合夥企業(有限合夥)) (fund management being Suzhou Anjie Private Fund Management Partnership (LP)* (蘇州安潔私募基金管理合夥企業(有限合夥))), with actual investment of RMB5 million.

In 2022, Huifang Tongcui has reached a cooperation intention with Qianhui Investment, and set up Suzhou Qianhui Tongcui Venture Capital Partnership (LP)* (蘇州乾匯同萃創業投資合夥企業(有限合夥)) ("Qianhui Tongcui") in a Double GP cooperation model. Huifang Tongcui and Qianhui Investment act as executive partners to Qianhui Tongcui, and Qianhui Investment acts as a manager to Qianhui Tongcui. The planned assets under management of Qianhui Tongcui is approximately RMB200 million and the subscribed assets under management of Qianhui Tongcui is RMB52 million. The investment period is 7 years. As of 31 December 2022, Huifang Tongcui intended to invest RMB20 million in Qianhui Tongcui and the actual investment is RMB10 million.

The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity investment institutions, accelerate the implementation of the Double GP cooperation mode, participate in equity investment projects directly or indirectly, and build an equity investment platform with good development prospects and high investment return.

(d) Special Asset Investment Business

The following table sets out the operating information of the special asset investment business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number of new investment	**6**	9
Total transaction amount of new investment (RMB million)	**27**	16
Balance of investment at the end of the Reporting Year (RMB million)	**35**	16
Investment income (RMB thousand)	**1,716**	—

The special asset investment business mainly relies on Qingdao Wanchen and Suzhou Cibei as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect wholly-owned subsidiary of the Company. Suzhou Cibei, established in 2021 with a registered capital of RMB50 million, is a special asset investment fund established by the Company in cooperation with external asset management institutions. The Company holds 90% of the equity interests as a limited partner.

Special asset investment business makes full use of the Company's industry position and resources of licensed asset management companies and banks to carry out special asset acquisition, disposal and operation. Special asset investment business mainly targets potential special assets such as residential real estate, commercial real estate and industrial real estate, as well as unsecured credit debts.

As of 31 December 2022, the balance of investment at the end of the Reporting Year and the investment income were RMB35 million and RMB1,716 thousand, respectively, representing a significant increase as compared with the corresponding period of last year. The main reason was that the return from certain investment projects have been recovered and the benefits of such investment are gradually emerging.

The main risks and uncertainties faced by special asset investment business include asset valuation risk, liquidity risk, real estate value fluctuation risk, credit risk, etc.

In 2022, the special asset investment business continued to cooperate with state-owned asset management companies such as Jiangsu Asset Management Co., Ltd.* (江蘇資產管理有限公司) and China Huarong Asset Management Co., Ltd.* (中國華融資產管理股份有限公司). The development direction of special asset investment business in the future is to actively participate in the Jiangsu special asset transfer market, find potential projects, dispose of debts by means of bankruptcy and pre-restructuring, and build a deep cooperation network between the upstream asset, the middle capital and the downstream disposal.

(e) Insurance Brokerage Business

The following table sets out the operating information of the insurance brokerage business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total transaction number	451	684
Commission fee income (RMB thousand)	899	1,973

The insurance brokerage business mainly relies on Huifang Anda as the entity to carry out its business. Huifang Anda, established in 2004 with a registered capital of RMB2.4 million, is an indirect non-wholly owned subsidiary of the Company and is jointly established by the Company and state-owned capital Suzhou Wuzhong Financial Investment Service Co., Ltd* (蘇州市吳中金融招商服務有限公司) and other institutions. The Company holds 65% of the equity interests of Huifang Anda.

The insurance brokerage business actively integrates the resources of the government and insurance companies, with the purpose of credit, responsibility, professionalism and compliance with regulations, and with the business development direction of large private enterprises, governments, state-funded platforms and foreign-funded enterprises. The scope of insurance agency covers property insurance, credit guarantee insurance, liability insurance, life insurance, etc.

As of 31 December 2022, the total transaction number and commission fee income of insurance brokerage business transactions were 451 and RMB899 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was that the performance of original coinsurance business declined significantly as affected by the relevant policy and the repeated pandemic has adversely affected the marketing of the business.

The main risks and uncertainties faced by insurance brokerage business include the risk of government policy changes, contract risks, etc.

In 2022, the insurance brokerage business actively expanded into new types of property insurance and achieved business cooperation with several foreign-funded enterprises and large private enterprises. The development direction of insurance brokerage business in the future is to implement new coinsurance cooperation, introduce agent teams with market competitiveness and further explore the life insurance agency business.

1.3 Headquarters and Others

As the incubator of the Company's innovative business, the headquarters has the function of cultivating innovative business of the Company through different stages. The overseas finance business is an attempt of the Company's global development and is currently under the direct management of the headquarters. The following table sets out the operating information of the overseas finance business as of 31 December 2022:

	For the year ended 31 December	
	2022	2021
Total number of new loans granted	**1**	2
Total new loan amount granted (HK$ million)	**20**	26
Balance at the end of the Reporting Year (principal) (HK$ million)	**26**	26
Interest income (HK$' thousand)	**1,528**	1,640

The overseas finance business mainly relies on Huifang Investment as the entity to carry out its business. Huifang Investment, established in 2011, is an indirect wholly-owned subsidiary of the Company and obtained a money lender's license with license No. MLR5279 in Hong Kong in January 2019 to develop diversified financial services.

The overseas finance business mainly involves guaranteed loans. Business risks of guaranteed loans are comprehensively assessed based on enterprise operation, financial conditions, industry development, etc. The interest rates range from 5.5% to 7% per annum and the loan term is 12 months. The operation area is mainly in Hong Kong. The target customers are mainly local companies in Hong Kong. It mainly conducts business in cooperation with local licensed money lenders at present.

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of overseas finance business were HK$26 million and HK$1,528 thousand, respectively, representing a decrease as compared with the corresponding period of last year. The main reason was that the Company appropriately reduced the interest rates for some customers in an effort to help them get through the economic pressure under the pandemic.

The main risks and uncertainties faced by overseas finance business include the risk of changes in the international political and economic situation and the risk of exchange rate fluctuations, etc.

In 2022, in view of the fact that the pandemic in Hong Kong and other overseas regions has not been effectively alleviated, and entry into and exit from these regions have been greatly restricted and the expansion of our overseas finance business was affected, resulting in no significant change in business performance during the Reporting Year. The development direction of overseas finance business in the future is to seek for development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Macao and Singapore.

2. FINANCIAL REVIEW

2.1 Overall Financial Data

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Operating Results		
Operating income	624,474	367,825
Net operating income	156,404	212,211
Net assets	2,111,330	2,093,734
General and administrative expenses	73,818	62,906
Income tax expenses	27,120	45,799
Profit attributable to equity holders	41,057	87,169
Basic earnings per share (RMB Yuan)	0.038	0.080

As of 31 December 2022, the operating income amounted to RMB624,474 thousand, representing an increase as compared with 2021. The main reason was the significant increase in revenue generated from the supply chain management business of the Group. As of 31 December 2022, the profit attributable to equity holders amounted to RMB41,057 thousand, representing a decrease as compared with 2021. The main reason was the significant decrease in income from changes in fair value of the Group.

2.2 Financial Analysis on two Principal Business Divisions

2.2.1 Inclusive Finance Business Division

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Operating income	215,247	236,797
Operating cost	14,785	9,077
Other non-operating losses	(90,401)	(177,141)
Profit before tax	110,061	50,579

As of 31 December 2022, the operating income amounted to RMB215,247 thousand, representing a decrease as compared with 2021. The main reason was the decrease in revenue generated from the pawnshop business. As of 31 December 2022, the profit before tax amounted to RMB110,061 thousand, representing a significant increase as compared with 2021. The main reason was that the Company increased efforts to settle overdue loans and the credit impairment losses declined.

2.2.2 Ecology Finance Business Division

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Operating income	**398,508**	114,452
Operating cost	**373,767**	98,538
Other non-operating losses	**(2,962)**	(4,031)
Profit before tax	**21,779**	11,883

As of 31 December 2022, the operating income amounted to RMB398,508 thousand, representing a significant increase as compared with 2021. The main reason was the significant increase in revenue generated from the supply chain management business and the commercial factoring business. As of 31 December 2022, the profit before tax amounted to RMB21,779 thousand, representing a significant increase as compared with 2021. The main reason was the increase in operating income attributed to the factors set out above.

2.2.3 Headquarters and Others

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Operating income	**26,559**	19,008
Operating cost	**17,843**	15,607
Other non-operating (losses)/profit	**(53,088)**	81,482
(Losses)/profit before tax	**(44,372)**	84,883

As the core of the Group's progress and development, the headquarters has undertaken the service functions of investment management, risk prevention and control, scientific and technological support, logistics support, etc. In recent years, it has been committed to lowering costs and increasing efficiency. In the future, it will continue to promote refined management to increase income and reduce expenditure.

As of 31 December 2022, the operating income amounted to RMB26,559 thousand, representing an increase as compared with 2021. As of 31 December 2022, the losses before tax amounted to RMB44,372 thousand, representing a significant decrease in profit before tax as compared with 2021. The main reason was the fluctuation resulting from the fair value on the Zhonghui Financial Building.

3. CREDIT RISK

3.1 Loan Classification and Impairment Allowances

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December				
	2022				2021
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans to customers					
Secured loans to customers (a)	800,972	11,057	805,470	1,617,499	1,398,366
Unsecured loans to customers (b)	983,187	24,516	197,712	1,205,415	1,061,192
Gross carrying amount	1,784,159	35,573	1,003,182	2,822,914	2,459,558
Loss allowances	(35,651)	(10,451)	(669,757)	(715,859)	(644,481)
Carrying amount	1,748,508	25,122	333,425	2,107,055	1,815,077
Term deposits with banks					
Credit grade					
AAA	110,240	–	–	110,240	244,390
Gross carrying amount	110,240	–	–	110,240	244,390
Loss allowances	(164)	–	–	(164)	(164)
Carrying amount	110,076	–	–	110,076	244,226
Structured deposits with banks					
Credit grade					
AAA	50,502	–	–	50,502	61,295
Gross carrying amount	50,502	–	–	50,502	61,295
Other current assets (excluding repossessed assets)					
Gross carrying amount	18,342	–	–	18,342	14,246
Loss allowances	(1,141)	–	–	(1,141)	(951)
Carrying amount	17,201	–	–	17,201	13,295
Guarantee and commitment					
Financial guarantees exposure	–	–	–	–	46,950

(a) Secured loans to customers comprise real estate backed loans and movable property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

The Group may suffer credit losses if its customers default on contractual obligations. As at 31 December 2022, the impairment allowance (including the provision of loss allowance and the write-off) for loans to customers granted by the Group was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Secured loans to customers[1]		
Stage 1 & 2	**12,065**	18,392
Stage 3	**479,678**	371,420
Subtotal	**491,743**	389,812
Unsecured loans to customers[2]		
Stage 1 & 2	**34,037**	25,862
Stage 3	**190,079**	228,807
Subtotal	**224,116**	254,669
ECL allowances, total	**715,859**	644,481
Stage 1 & 2	**46,102**	44,254
Stage 3	**669,757**	600,227

Notes:

(1) Secured loans to customers mainly comprise real estate backed loans and movable property backed loans.

(2) Unsecured loans to customers mainly comprise equity interest backed loans and guaranteed loans and other unsecured loans.

The impairment allowance is measured based on the ECL model. Please refer to the consolidated financial statements for the major parameters, assumptions and judgments used in the model.

As at 31 December 2022, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB715,859 thousand, representing approximately 25.36% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB71,378 thousand as compared with the end of last year.

For loans to customers in Stage 1 & 2, the impairment allowance was determined by projecting the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") every six months and for each individual exposure or collective segment, based on historical data. The increase of the impairment allowance in Stage 1 & 2 for 2022 was mainly due to the increase of the gross carrying amount of loans to customers in Stage 1 & 2 during the Reporting Year as compared with the end of last year.

For impaired loans to customers in Stage 3, the impairment allowance is assessed by estimating the discounted future cash flows from the loans, and such assessment is re-performed for at least every six months.

For secured loans, the discounted cash flow is primarily dependant on the type of collaterals, their appraised value and estimated time for disposal. The impairment allowance for secured loans increased in 2022, mainly due to:

(i) a decline of the collaterals' appraised value based on the latest selling records of similar assets in the market, or a forced sale of such collaterals at a price lower than previous estimate; and

(ii) an extension of estimated time for disposal because of the epidemic or other external factors emerging during legal proceedings.

For unsecured loans, the discounted cash flow depend on the customer's financial and operating conditions, as well as their own properties preserved by the Group. The impairment allowance for unsecured loans decreased in 2022, mainly due to increasing efforts of the Company to settle overdue loans and the recovery of certain overdue loans.

The Group also entered into supplementary repayment agreements with certain secured or unsecured loan customers in order to maximise its interests. The Group adjusted the impairment allowance according to implementation of such agreements.

In 2022, the Group did not write off its impairment allowance on loans to customers. The write-off only occurs when the Group has exhausted all practical recovery efforts and its decision was made based on the following evidence showing it will not be able to recover its obligatory right after liquidating the customers' property and pursuing repayment from the guarantor:

(i) external evidence such as property settlement certificates issued by courts, arbitration tribunals or relevant government authorities; and

(ii) internal evidence such as property recovery certificates, settlement reports, and legal opinions issued by the Group's risk control department and internal lawyers.

3.2 New Loans under Legal Proceedings

	For the year ended 31 December	
	2022	2021
New Secured Loans		
Number of clients	19	33
Outstanding loans (RMB' thousand)	24,467	39,343
New Unsecured Loans		
Number of clients	–	–
Outstanding loans (RMB' thousand)	–	–

As at 31 December 2022, the balance of new secured loans under legal proceedings was RMB24,467 thousand and there were no new unsecured loans under legal proceedings. There is a decrease of the balance of new loans under legal proceedings from the end of the previous year.

4. BORROWINGS

	As at 31 December	
	2022	2021
Non-current		
Bank borrowings (a)	197,000	89,380
Current		
Bank borrowings (b)	402,128	506,280
Borrowings from other companies (c)	52,000	—
Borrowings from micro-finance companies (d)	45,500	—
Borrowings from the Group's employees (e)	32,600	—
	532,228	506,280
	729,228	595,660

The Group's borrowings are all denominated in RMB.

(a) As at 31 December 2022, non-current bank borrowing bears floating interest rate of the 5-year Loan Prime Rate minus 35 bps, with Zhonghui Financial Building as the pledge. It is repaid in scheduled instalments within 12 years (31 December 2021: non-current bank borrowing with principal amount of RMB89.4 million is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Wuzhong Group). As at 31 December 2022, there are no undrawn bank borrowing facilities (31 December 2021: the undrawn bank borrowing facilities are RMB4.1 million).

(b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.4% to 5.2% per annum as at 31 December 2022 (31 December 2021: fixed rate from 3.4% to 5.5%).

As at 31 December 2022, bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million)(Note 33).

As at 31 December 2022, bank borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) are secured by structured deposits of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 31 December 2022, bank borrowings with principal amount of RMB100.0 million (31 December 2021: RMB120.2 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (Note 42(b)).

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million are guaranteed by Wuzhong Group (31 December 2021: nil) (Note 42(b)).

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million (31 December 2021: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

(c) As at 31 December 2022, current borrowings from other companies are all with maturity within one year and bear a fixed interest rate of 9.0% (2021: nil).

(d) As at 31 December 2022, current borrowings from micro-finance companies are all with maturity within one year and borrowings from micro-finance companies with principal amount of RMB9.5 million are guaranteed by Wuzhong Jiaye (31 December 2021: nil) (Note 42(b)).

(e) As at 31 December 2022, current borrowings from the Group's employees are all with maturity within one year and bear a fixed interest rate of 8.0% (2021: nil).

As at 31 December 2022, the gearing ratios of the Group was 20.14%. The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible.

For the year ended 31 December 2022, the Group did not use any financial instruments for hedging purposes.

5. CAPITAL EXPENDITURE

Our capital expenditure primarily consists of purchases of property, plant and equipment, intangible assets and investment properties. Our capital expenditure was RMB13,145 thousand for the year ended 31 December 2022, as compared with RMB79,266 thousand for 2021. The main reason was the decrease in the Company's expenditure on the investment properties.

6. EXPOSURE TO FOREIGN EXCHANGE RISK

For the year ended 31 December 2022, the net foreign currency gains of the Group were RMB3,125 thousand, representing an increase as compared to the net foreign currency losses of RMB3,303 thousand for the corresponding period of last year. The Group is free from material foreign exchange risk and does not conduct any related hedging as it concludes deals in RMB.

7. PLEDGE OF ASSETS

As at 31 December 2022, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) which was borrowed specifically for paying the construction and operation costs of Zhonghui Financial Building.

As at 31 December 2022, structured deposits with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 31 December 2022, restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million) are pledged with banks to secure the Group's bank borrowings with principal amount of RMB105.0 million of the Group (31 December 2021: RMB222.0 million).

Save as disclosed above, for the year ended 31 December 2022, the Group did not have any pledge of assets.

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

8.1 Establishment of Huifang Tongcui

On 13 May 2022, Huifang Technology, an indirect wholly-owned subsidiary of the Company, entered into a partnership agreement ("Partnership Agreement") with Mr. Wu Min, Mr. Qiu Wei, Mr. Zhang Changsong, Mr. Yao Wenjun, Mr. Zhou Jun, Mr. Chai Kun, Mr. Tang Zhi and Ms. Zhu Yingfei in relation to the proposed formation of Huifang Tongcui. Pursuant to the Partnership Agreement, the total capital commitment in relation to Huifang Tongcui shall be RMB20 million, out of which the capital commitment of Huifang Technology shall be RMB12 million and the capital commitment of each of the other 8 partners shall be RMB1 million, respectively. All of the 8 partners are employees of the Group. As two partners are executive Directors and one partner is the chief executive officer of the Company on the date of the Partnership Agreement and thus connected persons of the Company, the entering into of the Partnership Agreement constitutes a connected transaction of the Company. For further details of the above- mentioned transactions, please refer to the announcement of the Company dated 13 May 2022 and the supplemental announcement of the Company dated 19 May 2022.

On 23 May 2022, Huifang Tongcui was formally established in Suzhou, the PRC with a registered capital of RMB20 million. The Company has a shareholding ratio of 60%, and had contributed capital in the amount of RMB10 million for the year ended 31 December 2022. The investment strategy of the Group is to establish Huifang Tongcui for the purpose of setting up an investment fund with Qianhui Investment, to leverage on the resources and expertise of Qianhui Investment in equity investment and to explore for potential investment opportunities in advanced manufacturing.

8.2 Establishment of Nanchang Pawnshop

On 2 December 2022, Nanchang Pawnshop was formally established in Nanchang, the PRC with a registered capital of RMB30 million. Nanchang Pawnshop is owned as to 90% by Huifang Tongda, a wholly-owned subsidiary of the Company and as to 10% by Jiangsu Taisheng Electronic Technology Co., Ltd.* (江蘇泰盛電子科技有限公司), a third party independent of and not connected with the Company and its connected persons. The future business of Nanchang Pawnshop is mainly to provide secured loans services (including real estate backed loans and movable property backed loans) in Jiangxi Province, the PRC. With the establishment of Nanchang Pawnshop, the Group will expand the geographical coverage of its Pawnshop Business to customers located in Jiangxi Province. Whilst the Group currently operates its Pawnshop Business in Jiangsu Province, Sichuan Province, Hubei Province, Hunan Province and Anhui Province of the PRC, the establishment of Nanchang Pawnshop is a strategic step for the Group to leverage on its existing strength, resources and expertise to broaden its customer base and strengthen its dominant position in the pawnshop industry in the PRC.

As at 31 December 2022, the fair value of each of the abovementioned investments represented less than 5% of the total assets of the Group. As at 31 December 2022, the Group did not hold significant investments in the equity interests of any other companies. The Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Year.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS AND CASH USAGE ANALYSIS

9.1 Contingencies

As at 31 December 2022, the Group did not have any significant contingent liabilities (31 December 2021: the Group did not have any significant contingent liabilities except for the Group's normal guarantee business in the amount of RMB47.0 million).

9.2 Commitments

(a) Capital commitments

	As at 31 December	
	2022	2021
Suzhou Cibei (a)	20,495	29,025
Qianhui Tongcui (b)	10,000	–
Tiankai Huirui (c)	10,000	–
Kangli Junzhuo (d)	8,000	–
Suzhou Qianrong (e)	8,000	–
Zhongxin Hengyuan (f)	2,000	5,000
	58,495	34,025

(a) The committed capital injection to Suzhou Cibei is RMB45.0 million, of which RMB20.5 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB29.0 million).

(b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(c) The committed investment injection to Tiankai Huirui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(e) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB5.0 million).

9.3 Cash Usage Analysis

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB196,805 thousand, representing a decrease of RMB37,976 thousand as compared with that of 2021. The following table sets forth a summary of our cash flows for the indicated periods:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net cash (outflow)/inflow from operating activities	(120,492)	98,459
Net cash outflow from investing activities	(26,188)	(75,669)
Net cash inflow from financing activities	89,577	108,418
Net (decrease)/increase in cash and cash equivalents	(39,103)	131,208
Cash and cash equivalents at the end of year	196,805	234,781

Net Cash Flow from Operating Activities

During the Reporting Year, net cash outflow from operating activities amounted to RMB120,492 thousand, representing an increase as compared with 2021. This was due to the increase in the cash outflow generated from the increase in loans to customers.

Net Cash Flow from Investing Activities

During the Reporting Year, net cash outflow from investing activities amounted to RMB26,188 thousand, representing a decrease as compared with 2021. This was due to the decrease in payments for Zhonghui Financial Building.

Net Cash Flow from Financing Activities

During the Reporting Year, net cash inflow from financing activities amounted to RMB89,577 thousand, representing a decrease as compared with 2021. This was due to the decrease in the investment f the non-controlling shareholders and dividend payment.

10. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 31 December 2022, the Group had a total of 147 full-time employees, with an increase of 6 person from 141 people as at 31 December 2021. Based on the development of our business, we will formulate diversified human resources optimization plans, and review our employees' performance so as to adjust the number of our employees and our remuneration policy.

For the year ended 31 December 2022, the expenses for employee remuneration and benefits were approximately RMB39,843 thousand, representing an increase of approximately RMB4,565 thousand compared with the same period of last year.

Pursuant to the applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have been in compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material respects. We are not subject to any collective bargaining agreements.

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made and can not use the forfeited contributions.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves the Group.

11. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Save as disclosed in this annual report, the Group has no other plans for material investments or acquisition of capital assets. However, the Group will continue to seek for new business opportunities.

12. EVENTS AFTER REPORTING YEAR

A dividend in respect of the year ended 31 December 2022 of HK$0.03 per share, amounting to a total dividend of HK$32.7 million (equivalent to approximately RMB29.2 million), is to be proposed at the annual general meeting on 12 June 2023 (2021: HK$0.04 per share, amounting to a total dividend of HK$43.6 million (equivalent to approximately RMB38.0 million)). These financial statements do not reflect this dividend payable.

PROSPECTS

Inclusive Finance Business Division: The Company will actively seek external cooperation, innovate business models, and adhere to dynamic adjustment of business strategies. The pawnshop business will actively establish pawnshops in provincial capital cities of the PRC. The movable property backed loans will continue to increase the scale and the number of product types, and will expand inter-industry cooperation. The art investment business will seek progress while maintaining stability, and will explore new service opportunities and business space for the extension of the industrial chain. The luxury sales business will explore and establish a mature business operation model.

Ecology Finance Business Division: The commercial factoring business will strengthen external cooperation to achieve new breakthroughs in scale and efficiency. The supply chain management business will be more stable and stronger, and will strive to upgrade to the supply chain financial model. The special asset investment business and the financing advisory business will strengthen the linkage and build alternative investment bank asset management business. The insurance brokerage business will continuously improve its market capacity. The financial leasing business will complete the licence application and opening of the new company.

Headquarters: The Company will implement the risk management concept of "all staff, all products and all processes" and optimize business competition environment with innovation of business model, product, employment and incentive mechanism. The Company will strengthen the liquidity management, control the comprehensive cost of financing and deepen the integration of business and finance. The Company will improve and upgrade the information system to improve user experience and steadily strengthen data security. The Company will maintain the normalized adjustment of human resources and strengthen the mechanism for posts and salaries based on performance rankings. The Company will further improve the internal audit mechanism and form a double barrier with risk control management.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this annual report, the Board consists of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. WU Min (吳敏), aged 54, is the chairman of the Company and was appointed as an executive Director on 17 May 2012. Mr. Wu has been the chief executive officer of our Company from the Listing to 17 October 2017. Mr. Wu is responsible for convening and presiding over the board meetings regularly and making decisions on key issues of our Company, such as determining the Company's macroscopic development direction, researching into relevant national policies and avoiding the systemic risks in our industry. Upon joining our Group in 26 January 2011, Mr. Wu has been the general manager of the PRC Operating Entity. He possesses approximately 30 years of experience in commercial banking, finance and management. Mr. Wu worked in various positions in the Suzhou branch of the Industrial and Commercial Bank of China from 1985 to 2011, including being the President and Secretary of the Committee of Communist Party of China of the Wuzhong branch between 2005 and 2011. Mr. Wu graduated from Jiangsu Radio and TV University (江蘇廣播電視大學), majoring in finance, in July 1994; from the Party School of the Central Committee of Communist Party of China Correspondence Institute (中共中央黨校函授學院), majoring in executive management, in December 2001 and from the School of Business of Soochow University (蘇州大學商學院) in October 2003, where he completed a postgraduate course in finance and from China Europe International Business School in November 2017, where he completed an EMBA degree. In November 2000, Mr. Wu obtained the Intermediate Economist qualification (中級經濟師任職資格) issued by the Ministry of Personnel of the PRC (中國人事部).

Mr. Wu has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. QIU Wei (邱蔚), aged 49, is the chief executive officer of the Company and was appointed as an executive Director on 26 May 2022. Mr. Qiu has extensive experience in the management and operation of commercial banking business in the PRC. From July 1993 to November 1994, Mr. Qiu worked as a clerk in the Finance Department of Suzhou Pharmaceutical Industry Supply and Sales Company and was transferred to the Sales Department of Bank of China, Suzhou Branch in December 1994. Between August 1997 and April 2013, Mr. Qiu successively served different positions in Bank of China, Suzhou Branch. Mr. Qiu served as a clerk of the Credit Banking Division of Suzhou Branch in August 1997 until July 2000. From July 2000 to March 2001, Mr. Qiu successively served as a Deputy Section Chief of the Credit Banking Division and a Deputy Manager of the Corporate Business Section of Kunshan Sub-branch. From April 2001 to February 2007, he successively served as a Deputy Section Chief, Section Chief and Department Head of Corporate Business Department of Suzhou Branch. Afterwards, Mr. Qiu served as a Vice President of Xiangcheng Sub-branch from February 2007 to August 2009, the President of Canglang Sub-branch from September 2009 to October 2011 and the General Manager of Banking Card Department of Suzhou Branch from October 2011 to April 2013. From May 2013 to July 2014, Mr. Qiu participated in the planning and establishment of Nanyang Commercial Bank (China) Limited, Suzhou Branch. Afterwards, he served as a Vice President (in charge of sales) of Nanyang Commercial Bank (China) Limited, Suzhou Branch from July 2014 and served as the President of such branch from February 2018 to October 2021. Mr. Qiu obtained his Executive Master degree in Business Administration from Shanghai University of Finance and Economics in 2014.

Mr. Qiu has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. ZHANG Changsong (張長松), aged 50, is a vice president of the Company. He was the chief financial officer of the Company since 4 January 2016 to 8 February 2023 and was appointed as an executive Director on 4 January 2016. He is in charge of Ecology Finance Business Division of the Company. Mr. Zhang is a senior accountant recognized by the Jiangsu Provincial Department of Human Resources and Social Security (江蘇省人力資源和社會保障廳) and a certified internal auditor recognized by the China Institute of Internal Audit with the authorization from the Institute of Internal Auditors. Mr. Zhang has also been awarded the professional designation of Certification in Risk Management Assurance by the Institute of Internal Auditors. Mr. Zhang received his bachelor's degree in accounting from Anhui University of Finance & Economics (安徽財經大學), formerly known as Anhui Institute of Finance and Trade (安徽財貿學院), in 1998 and obtained his master's degree from Tsinghua University in 2019. Mr. Zhang has more than 20 years of experience in auditing and accounting. In September 1998, he started working as an auditing staff at Anhui Xinhua Bookstore, which is currently known as Anhui Xinhua Media Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange). From 2005 to 2012, Mr. Zhang worked as an accounting supervisor, assistant manager in the asset auditing department, manager in the asset auditing department at Wuzhong Group, respectively. During the period from 2013 to 31 December 2015, he was the vice chief auditor and general manager in the asset auditing department, a member of the audit committee and the budget committee at Wuzhong Group.

Mr. Zhang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. YAO Wenjun (姚文軍), aged 53, is a vice president of the Company and was appointed as an executive Director on 26 May 2022. He is in charge of the Inclusive Finance Business Division of the Company. Mr. Yao graduated from Southwestern University of Finance and Economics with a bachelor's degree in accounting in July 2010. From August 1989 to November 2012, he worked successively as an account manager, director and assistant president at China Construction Bank (Wuzhong Branch) in Suzhou. Mr. Yao joined the Group as vice president in January 2016.

Mr. Yao has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Non-executive Directors

Ms. ZHANG Shu (張姝), aged 57, was appointed as a non-executive Director on 18 March 2016. Ms. Zhang has been a vice president of Wuzhong Group since December 2011. Ms. Zhang has more than 29 years of experience in banking and finance industry. From August 1986 to May 1990, she worked as a clerk at the sales department of Suzhou branch of Bank of China. From May 1990 to October 1999, Ms. Zhang commenced working as a clerk in the bill settlement department and subsequently became the chief officer of loan department at Suzhou branch of Bank of China. Afterwards, Ms. Zhang worked as an assistant vice president in the administration division of BOC International Holdings Limited in Hong Kong from November 1999 to August 2003. She became the vice president of Suzhou Industrial District branch of Bank of China from September 2003 to March 2007 and then worked as the president of Suzhou Wuzhong branch of Bank of China from March 2007 to October 2011. Ms. Zhang then worked as the general manager of the risk management department of Suzhou branch of Bank of China from October 2011 to December 2011. Ms. Zhang obtained a diploma in English from Nanjing Normal University (南京師範大學) in June 1995 and a postgraduate degree in world economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in September 1998. Ms. Zhang was awarded with the qualification certificate of speciality and technology in the speciality of financial economics (intermediate level) by the Human Resources Department of the People's Republic of China (中華人民共和國人事部) in November 1997.

Ms. Zhang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. LING Xiaoming (凌曉明), aged 50, was appointed as a non-executive Director on 28 May 2018. Mr. Ling has over 20 years of experience in the legal profession. Mr. Ling has been the chief risk officer of Wuzhong Group since February 2018. He served as a general manager of the legal department of Wuzhong Group from May 2016 to February 2018. Mr. Ling worked in the judiciary system of the Jiangsu Province for approximately 20 years and held various positions such as judge and presiding judge of different courts from August 1995 to April 2016. Mr. Ling received the Bachelor of Law from East China University of Political Science and Law (華東政法大學), formerly known as East China University of Politics and Law (華東政法學院), in 1995, and the Master of Law from Jilin University (吉林大學) in 2007. Mr. Ling was qualified as a lawyer in the PRC in 2017.

Mr. Ling has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Independent Non-executive Directors

Mr. LIANG Jianhong (梁劍虹), aged 45, was appointed as an independent non-executive Director on 28 May 2021. Mr. Liang obtained a bachelor's degree in Engineering from Zhejiang University (浙江大學) in June 1997 and a master's degree in Economics from East China Normal University (上海華東師範大學) in Shanghai in June 2001. Mr. Liang was employed at the investment banking department of BOCI Securities Limited from July 2001 to August 2004, and worked in the investment banking department of UBS AG Hong Kong Branch from August 2004 to April 2006. From April 2006 to March 2013, Mr. Liang served as an executive director in the China investment banking department of J.P. Morgan Securities (Asia Pacific) Limited. From January 2014 to April 2019, Mr. Liang worked at China Securities (International) Finance Holding Company Limited, successively serving as the co-head of the investment banking department and a director of China Securities (International) Corporate Finance Company Limited. In April 2019, Mr. Liang founded Future Finance Limited (未來金融有限公司) and has since served as its chief operating officer.

Mr. Liang has not held any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

Mr. FENG Ke (馮科), aged 51, was appointed as an independent non-executive Director on 6 October 2013. Mr. Feng graduated from Guangdong University of Finance (廣東金融學院) majoring in international finance in July 1993; from Guangdong Academy of Social Sciences (廣東省社會科學院) with a master's degree in economics in July 1999; and from Peking University School of Economics (北京大學經濟學院) with a doctor's degree in political economics in July 2002. Mr. Feng worked successively as an associate professor and a full professor at School of Economics of Peking University from 2010. Mr. Feng was the assistant manager of Golden Eagle Asset Management Co., Ltd (金鷹基金管理有限公司) from November 2002 to January 2006.

Mr. Feng currently holds directorships as follows:

- independent non-executive director of Asian Capital Resources (Holdings) Limited (亞洲資產(控股)有限公司) (the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 08025)), since October 2008, re-designated as executive director on 1 September 2013;

- independent non-executive director of Zhuguang Holdings Group Co. Ltd. (珠光控股集團有限公司) (the shares of which are listed on the main board of the Stock Exchange (Stock Code: 01176)), since June 2015;

- independent director of Tianjin Guangyu Development Co., Ltd. (天津廣宇發展股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000537)), since June 2018;

- independent non-executive director of Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002239)), since 20 July 2021; and

- independent non-executive director of Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600739)), since 18 August 2021.

In addition, Mr. Feng held the following directorships in various listed companies in the last 3 years:

- independent director of Shenzhen Yushun Electronic Limited (深圳市宇順電子股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002289)), from December 2015 to October 2020; and

- non-executive director of Guangdong-Hong Kong Greater Bay Area Holdings Limited (粵港灣控股有限公司) (the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01396)) , from June 2022 to February 2023.

Mr. TSE Yat Hong (謝日康), aged 53, was appointed as an independent non-executive Director on 6 October 2013. Mr. Tse is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse graduated from Monash University in Australia in April 1992 with a bachelor's degree in science. From June 2000 to May 2019, Mr. Tse served as the chief financial officer of Shenzhen International Holdings Limited (the shares of which are listed on the Stock Exchange (Stock code: 00152)). From August 2000 to March 2008, Mr. Tse was also the company secretary of Shenzhen International Holdings Limited. Mr. Tse served as the joint company secretary of Shenzhen Expressway Company Limited from September 2004 to September 2007. Prior to that, Mr. Tse worked in the audit profession in one of the international accounting firms for years.

Mr. Tse currently holds the directorships as follows:

- independent non-executive director of China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) (the shares of which are listed on the Stock Exchange (Stock code: 09668)) since June 2020;

- independent non-executive director of Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司) (the shares of which are listed on the Stock Exchange (Stock Code: 09993)), since October 2020; and

- independent non-executive director of E-Star Commercial Management Company Limited (星盛商業管理股份有限公司) (the shares of which are listed on the Stock Exchange (Stock Code: 06668)), since January 2021.

In addition, Mr. Tse had served as an independent non-executive director of Sky Light Holdings Limited (天彩控股有限公司) (the shares of which are listed on the Stock Exchange (Stock code: 03882)), from December 2017 to November 2022.

Save as disclosed in this section, there is no other matters concerning the Directors which are discloseable pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there are no any material matters concerning the Directors that need to be brought to the attention of the Shareholders.

Save as disclosed in the section headed "Directors' Report" of this annual report, as at 31 December 2022, (i) none of the above Directors had any interests in the shares of the Company within the meaning of Part XV of the SFO; and (ii) none of the Director is a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Senior Management

Ms. CAO Yu (曹瑜), aged 48, is the Chief Risk Officer of our Group. She is responsible for risk control, asset disposal and legal issues. Ms. Cao obtained a bachelor's degree in international trading from Peking University (北京大學) in July 1999. From August 1994 to December 2012, she worked in China Industrial and Commercial Bank of China, Suzhou Wuzhong sub-branch as an employee of the credit management department, account manager, manager of the corporate department, manager and senior credit approver of the Head Office of Industrial and Commercial Bank of China successively. Ms. Cao joined the Group in January 2013 as the general manager of our branch company and an assistant to the President of the Group.

Mr. ZHOU Jun (周俊), aged 50, is an assistant to the President of the Group. He assists in the management of Ecology Finance Business Division of the Company. Mr. Zhou obtained a bachelor's degree in corporate management from the Management Engineering Department of Suzhou Silk Engineering Institute (蘇州絲綢工學院管理工程系) (currently known as the Business School of Soochow University (蘇州大學商學院)) in July 1995 and a master's degree in business administration from the Business School of Soochow University in July 2008. From August 1995 to September 2001, he was the head of the delivery department of the Suzhou Commodity (Futures) Exchange (蘇州商品(期貨)交易所). From October 2001 to March 2006, he worked in Soochow Securities Co., Ltd. as a manager of the consulting center of the research institute and an assistant to general manager of the securities business department in Shishan Road successively. From April 2006 to January 2020, he worked in Wuzhong Group as deputy director of the board office and general manager of Suzhou Jiadingsheng Asset Management Co., Ltd. (蘇州嘉鼎晟資產管理有限公司) successively. Mr. Zhou joined the Group in February 2020 as an assistant to the President of the Group.

Ms. WANG Fei (王菲), aged 30, the finance director of the Company. Ms. Wang obtained her bachelor's degree in Japanese from School of Foreign Studies, Nanjing University in 2015. She is responsible for the financial reporting and accounting functions of the Group. From October 2015 to November 2021, she worked at PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (Suzhou Branch) with last position as a manager of the audit department. From November 2021 to February 2022, Ms. Wang worked at Jiangsu Wuzhong Group Co., Ltd. as an assistant to the chief financial officer. In February 2022, she joined the Company as the deputy finance director. Since 8 February 2023, she worked in the Company as the finance director.

Save as disclosed in this section, there is no financial business, family or other material relationship among the Directors and the senior management.

MANAGEMENT CONTINUITY

Our management team is a group of chief executive led by Mr. Wu Min, the chairman of the Company, who joined the Group in January 2011. He has been an executive director of the PRC Operating Entity since 2011 and, as such, is responsible for overseeing the operations and making the decisions on the key issues of our Group.

Mr. Wu Min is ultimately responsible for the management team, comprising Mr. Qiu Wei (joined in October 2021), Mr. Zhang Changsong (joined in January 2016), Ms. Cao Yu (joined in January 2013) , Mr. Yao Wenjun (joined in January 2016), Mr. Zhou Jun (joined in February 2020) and Ms. Wang Fei (joined in February 2022).

JOINT COMPANY SECRETARIES

Mr. CHAI Kun (柴琨), aged 31, was appointed as a joint company secretary of our Company on 20 April 2020. He is responsible for daily operation management, investor relations maintenance, investment and financing issues. Mr. Chai graduated from Peking University School of Government Management (北京大學政府管理學院) with a bachelor's degree in management in July 2014. He served as a secretary to the president of Wuzhong Group from August 2014 to February 2017. Mr. Chai joined the Group in February 2017 and successively served as senior investment manager, director of the office of the board of directors and joint company secretary.

Ms. Kam Mei Ha Wendy (甘美霞), aged 55, was appointed as a joint company secretary of our Company on 26 August 2022. Ms. Kam is an executive director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Kam has over 25 years of experience in the corporate secretarial field and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. Kam served as manager of the company secretarial department of Ernst & Young, Hong Kong and Tricor Tengis Limited. Ms. Kam is named company secretary of eleven listed companies on the Hong Kong Stock Exchange (including the Company) as at the end of the Reporting Year. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

AUDIT COMMITTEE

Our Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Mr. Tse Yat Hong and Mr. Feng Ke, our independent non-executive Directors and Ms. Zhang Shu, our non-executive Director. Mr. Tse Yat Hong has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director who possesses the appropriate professional qualifications. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

REMUNERATION COMMITTEE

Our Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of three members, namely Mr. Liang Jianhong and Mr. Tse Yat Hong, our independent non-executive Directors and Mr. Wu Min, our executive Director. Mr. Liang Jianhong has been appointed as the chairman of the Remuneration Committee. The primary functions 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/her associates will participate in deciding his/her own remuneration.

NOMINATION COMMITTEE

Our Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three members, namely Mr. Feng Ke and Mr. Liang Jianhong, our independent non-executive Directors, and Mr. Wu Min, our executive Director. Mr. Wu Min has been appointed as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, 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.

CHANGE IN DIRECTORS' INFORMATION

Under the Rule 13.51B(1) of Listing Rules, the changes in Directors' information of the Company required to be disclosed in this annual report are as follows:

Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive directors of the Company with effect from 26 May 2022.

Mr. Zhang Cheng and Mr. Zhuo You have retired as non-executive directors of the Company with effect from the conclusion of the annual general meeting held on 26 May 2022.

Mr. Zhang Changsong have retired as Chief Financial Officer of the Company with effect from 8 February 2023.

Mr. Feng Ke, an independent non-executive Director, has been appointed with effect from 27 June 2022 and has retired with effect from 1 March 2023 as a non-executive director of Guangdong-Hong Kong Greater Bay Area Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01396)).

Mr. Tse Yat Hong, an independent non-executive Director, has retired as an independent non-executive director of Sky Light Holdings Limited (天彩控股有限公司) (the shares of which are listed on the Stock Exchange (Stock code: 03882)), with effect from 28 November 2022.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration for our Directors (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances, share option schemes and other benefits in kind) for the year ended 31 December 2022 was approximately RMB5,799 thousand (2021: RMB3,902 thousand).

During the year ended 31 December 2022, five highest paid individuals of the Group included four executive Directors (2021: two), whose emoluments were deducted from emoluments payable to the five highest paid individuals. Emoluments of the remaining highest paid individuals are RMB561 thousand (2021: RMB3,054 thousand).

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the year ended 31 December 2022.

Save as disclosed above, no other payments have been made or are payable in respect of each of the two years ended 31 December 2021 and 2022 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and chief executives with reference to the recommendations from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the provision of comprehensive financing services in the PRC.

BUSINESS REVIEW

The business review of the Group as at 31 December 2022 is set out in the section headed "Management Discussion and Analysis" from pages 7 to 21 of this annual report.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

Description of possible risks and uncertainties facing the Company is set out in the paragraph headed "4 Financial Risk Management" in the section headed "Notes to the Consolidated Financial Statements" from pages 133 to 151 of this annual report.

EVENTS AFTER THE REPORTING YEAR

The event of the Group after the Reporting Year is set out in the "Management Discussion and Analysis" on page 31 of this annual report.

FUTURE BUSINESS DEVELOPMENT

A discussion of the Group's future business development is set out in the "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on page 31 of this annual report.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance during the Reporting Year using financial key performance indicators is set out in the "Financial Summary" on page 4 of this annual report.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting environmental sustainability. Being a comprehensive financing service provider in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Reporting Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. Details of the Group's environmental policies and performance and compliance with laws and regulations that have a significant impact on the Group are set out in the section headed "Environmental, Social and Governance Report" from pages 86 to 98 of this annual report.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2022 and the state of the Company's and the Group's financial affairs as at that date are set out on pages 106 to 107 of this annual report.

FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK$0.03 per share in respect of the year ended 31 December 2022 (the "2022 Final Dividend") (2021: HK$0.04). The 2022 Final Dividend will be paid to the Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 19 June 2023. Based on the 1,090,335,000 shares of the Company in issue as at 31 December 2022, the payment of the 2022 Final Dividend is expected to amount to approximately HK$32,710,050, which will be paid on or before Wednesday, 12 July 2023. The retained profit will be primarily used for the Group's business developments and/or acquisitions in the PRC.

No Shareholder has waived or agreed to waive any dividend during the Reporting Year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 June 2023 to Monday, 12 June 2023 (both dates inclusive) and from Friday, 16 June 2023 to Monday, 19 June 2023 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Tuesday, 6 June 2023. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Thursday, 15 June 2023.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statements of changes in equity. Changes to the reserves of the Company during the year ended 31 December 2022 are set out in Note 35 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 34 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2022 are set out in Note 18 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out in Page 4 of this annual report.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for the Directors and senior management in respect of certain liabilities arising out of corporate activities. As required by Section 470(1) and (2) of the Companies Ordinance, it is confirmed that the permitted indemnity provision mentioned above is/was in force for the benefit of the Directors/then Directors when the directors' report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance; and has been in force throughout the financial year ended 31 December 2022, respectively. According to the Articles of Association, each Director is entitled to the compensation out of the assets of the Company for all losses or liabilities incurred due to the execution of his/her duties or taken place related to such execution. The Company has taken out the appropriate directors' and officers' liability insurance policy for the directors and officers of the Group as a means of security.

EQUITY-LINKED AGREEMENT

Apart from the share option scheme of the Company set forth from pages 45 to 47, the Company has not entered into any equity-linked agreement during the Reporting Year or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Reporting Year.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the Reporting Year were:

Directors

Name	Position
Mr. Wu Min	Executive Director and Chairman of the Board
Mr. Qiu Wei[1]	Executive Director and Chief Executive Officer
Mr. Zhang Changsong[2]	Executive Director and Chief Financial Officer
Mr. Yao Wenjun[1]	Executive Director and Vice President
Mr. Zhuo You[3]	Non-executive Director
Mr. Zhang Cheng[3]	Non-executive Director
Ms. Zhang Shu	Non-executive Director
Mr. Ling Xiaoming	Non-executive Director
Mr. Liang Jianhong	Independent Non-executive Director
Mr. Feng Ke	Independent Non-executive Director
Mr. Tse Yat Hong	Independent Non-executive Director

Notes:

1. Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive Directors of the Company with effect from 26 May 2022.
2. Mr. Zhang Changsong has retired as Chief Financial Officer of the Company with effect from 8 February 2023.
3. Mr. Zhang Cheng and Mr. Zhuo You have retired as non-executive Directors of the Company with effect from the conclusion of the annual general meeting held on 26 May 2022.

Senior Management

Name	Position
Ms. Cao Yu	Chief Risk Officer
Mr. Zhou Jun	Assistant to the President of the Group

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transactions" and in note 42 to the audited consolidated financial statements in this annual report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Year or at any time during the Reporting Year.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely, Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong, the annual confirmation letter of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive Directors have been independent from their respective date of appointment to 31 December 2022 and remain independent as of the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S 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 executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(1) Long positions in the shares of the Company

Name of Director	Nature of Interest	Type of Interest	Number of Shares or Underlying Shares	Percentage of the Total Issued Shares *(Note 2)*
Wu Min	Beneficial owner	Ordinary Shares	1,840,000 (L)	0.17%
Zhang Changsong	Beneficial owner	Ordinary Shares	2,490,000 (L)	0.23%
Yao Wenjun	Beneficial owner	Ordinary Shares	400,000 (L)	0.04%
Zhang Shu	Beneficial owner	Ordinary Shares	600,000 (L)	0.06%

Notes:

1. (L) represents long position.

2. Based on a total of 1,090,335,000 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the following parties (other than the Directors and chief executive of the Company) had interests and short positions of 5% or more of the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares	Percentage of the Total Issued Shares *(Note 6)*
Xiaolai Investment Co., Ltd	Beneficial owner	Ordinary Shares	260,000,000 (L)	23.85%
Xilai Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Zhu Tianxiao	Interest in controlled corporation	Ordinary Shares	325,000,000 (L) *(Note 2)*	29.81%
Baoxiang Investment Co., Ltd	Beneficial owner	Ordinary Shares	84,500,000 (L)	7.75%
Zhang Xiangrong	Interest in controlled corporation	Ordinary Shares	84,500,000 (L) *(Note 3)*	7.75%
Wonder Capital Co., Ltd	Beneficial owner	Ordinary Shares	71,500,000 (L)	6.56%
Ge Jian	Interest in controlled corporation	Ordinary Shares	71,500,000 (L) *(Note 4)*	6.56%
Southern Swan Investment Co., Ltd	Beneficial owner	Ordinary Shares	65,000,000 (L)	5.96%
Chen Yannan	Beneficial owner	Ordinary Shares	1,200,000 (L)	0.11%
	Interest in controlled corporation	Ordinary Shares	65,000,000 (L) *(Note 5)*	5.96%

Notes:

1. (L) represents long position.

2. These Shares represent the 260,000,000 Shares held by Xiaolai Investment Co., Ltd and 65,000,000 Shares held by Xilai Investment Co., Ltd. Each of Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd is 100% beneficially owned by Mr. Zhu Tianxiao. Accordingly, Mr. Zhu Tianxiao is deemed to be interested in all the Shares beneficially owned by Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd under the SFO.

3. These Shares are held by Baoxiang Investment Co., Ltd, which is 100% beneficially owned by Mr. Zhang Xiangrong, and therefore, Mr. Zhang Xiangrong is deemed to be interested in all these Shares under the SFO.

4. These Shares are held by Wonder Capital Co., Ltd, which is 100% beneficially owned by Mr. Ge Jian, and therefore, Mr. Ge Jian is deemed to be interested in all these Shares under the SFO.

5. These Shares are held by Southern Swan Investment Co., Ltd which is 100% beneficially owned by Mr. Chen Yannan, and therefore, Mr. Chen Yannan is deemed to be interested in all these Shares under the SFO.

6. Based on a total of 1,090,335,000 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, no person or corporation, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 26 May 2014, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the shareholders of the Company. The principal terms of the Share Option Scheme, which shall be valid and effective for 10 years from its adoption date and, are summarized below.

Purpose

The purpose of the Share Option Scheme is to incentivize and reward the eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Eligible participants

Pursuant to the Share Option Scheme, the Board may offer any employee (whether full-time or part-time) or a director of the Group options to subscribe for shares of the Company.

Total number of Shares available for issue under the Share Option Scheme

The Group approved on 13 September 2016 to grant share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years which has expired on 12 September 2021. For the year ended 31 December 2022, no options were granted or agreed to be granted pursuant to the Share Option Scheme.

(a) 10% limit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total issued Shares as at the date of adoption of the Share Option Scheme, being 102,523,700 Shares (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and any share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders in general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the refreshed limit.

The Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit or the refreshed limit to any eligible persons specifically identified by the Board.

As at 1 January 2022 and 31 December 2022 and as at the date of this annual report, the total number of Shares still available for grant under the Share Option Scheme shall both be 84,902,000 Shares, representing approximately 7.79% of the Company's issued share capital as at the reporting date.

As at 1 January 2022 and 31 December 2022, the number of options available for grant under the Scheme Mandate Limit shall both be 84,902,000 options.

There is no Shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Year.

(b) 30% limit

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Shares of the Company in issue from time to time.

Maximum entitlement of each eligible person

No option shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date. Any further grant of options to an eligible person in excess of the 1% limit as mentioned above shall be subject to the approval of the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) abstaining from voting.

Exercise price

An option may be exercised by the option-holder subject to the preconditions at any time during the option period, being the period which is determined and notified by the Board on the offer date when making an offer to an eligible person and which shall not exceed the period of five (5) years from the offer date of such option. For more details, please refer to the announcement of the Company dated 22 April 2014.

The vesting period and vesting conditions shall be determined by the Board in its absolute discretion.

The exercise price shall be determined by the Board in its absolute discretion but in any event shall be not less than the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

(b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the 5 trading days immediately preceding the date of offer of grant; and

(c) the nominal value of the Shares.

Performance targets and minimum period for which an option must be held

The Board may, when making an offer of the grant of an option, impose and specify in the offer letter any terms and conditions as it may at its absolute discretion think fit, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised.

Amount payable upon acceptance of option

HK$1.00 is payable by each eligible person to the Company on acceptance of an offer of option.

Remaining life of the Share Option Scheme

The Share Option Scheme will expire on 25 May 2024 and no further share options may be granted but the provisions of the Share Option Scheme shall in all other respects remain in force and effect necessary to give effect to the exercise of any share options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

During the Reporting Year, there is no Shares granted, exercised, cancelled, lapsed or forfeited. During the Reporting Year, there is no Shares involved in the options outstanding.

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 Year.

MAJOR CUSTOMERS

For the year ended 31 December 2022, the largest customer contributed 8.78% of the Group's total interest income from loans to customers, and the five largest customers contributed, in aggregate, 18.68% of the Group's total interest income from loans to customers.

None of the Directors, any of their close associates or any Shareholders which, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

EMOLUMENT POLICY

The Company is well aware of the importance of incentivising and retaining its employees. The Group offers competitive remuneration packages to its employees and makes contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing fund for its employees. The Remuneration Committee is set up for reviewing the Group's emolument policy and remuneration package of the Directors and chief executive of the Group, having regard to the Group's overall operating results, individual performance and comparable market practices.

The details of the emoluments payable to the Directors during the Reporting Year are set out in Note 45 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the details of the emoluments payable to the members of the senior management during the Reporting Year fell within the following bands:

Remuneration bands	Number of individuals
HK$0 to 1,000,000	2
HK$1,000,001 to 1,500,000	—

None of the Directors waived any emoluments during the year ended 31 December 2022. The Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, other reserves and retained earnings amounted to approximately RMB1,863,925 thousand.

BANK AND OTHER LOANS

Particulars of bank and other loans of the Group as at 31 December 2022 are set out in Note 38 to the consolidated financial statements.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Other than as disclosed above, during the year ended 31 December 2022, none of the Company, or any of its subsidiaries, was a party to any arrangement to enable the Directors to have any right to subscribe for securities of the Company or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries during the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors or their respective close associates had interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group as are required to be disclosed pursuant to the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of Mr. Zhu Tianxiao, Xilai Investment Co., Ltd and Xiaolai Investment Co. Ltd. (the "Covenantors"), each being a controlling shareholder of the Company, has entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company on 6 October 2013, pursuant to which each of the Covenantors has unconditionally, irrevocably and severally undertaken with the Group that they shall not, and shall procure that their respective members shall not, (except through the Group) directly or indirectly carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group. For details of the Deed of Non-Competition, please refer to the Prospectus.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its compliance with the Deed of Non-Competition. The independent non-executive Directors have reviewed the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition and are of the view that such non-competition undertaking has been complied with during the year ended 31 December 2022.

TAX RELIEF AND EXEMPTION

The Board is not aware of any tax relief available to shareholders of the Company by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in Note 42 to the financial statements. Some of these transactions also constituted fully exempted continuing connected transactions under Chapter 14A of the Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

On 13 May 2022, Huifang Technology, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Mr. Wu Min, Mr. Qiu Wei, Mr. Zhang Changsong, Mr. Yao Wenjun, Mr. Zhou Jun, Mr. Chai Kun, Mr. Tang Zhi and Ms. Zhu Yingfei (the "Partners") in relation to the proposed formation of Huifang Tongcui.

Pursuant to the Partnership Agreement, the total capital commitment in relation to Huifang Tongcui shall be RMB20,000,000, out of which the capital commitment of Huifang Technology shall be RMB12,000,000 and the capital commitment of each of the Partners shall be RMB1,000,000, respectively. Following its formation, Huifang Tongcui will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

As two partners are executive Directors and one partner is the chief executive officer of the Company on the date of the Partnership Agreement and thus connected persons of the Company, the entering into of the Partnership Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios in respect of the total commitment of the Company in the Limited Partnership exceed 0.1% but is less than 5%, the formation of Huifang Tongcui contemplated under the Partnership Agreement is subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For further details of the above-mentioned transactions, please refer to the announcement of the Company dated 13 May 2022 and the supplemental announcement of the Company dated 19 May 2022.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules. The Company has followed the policies and guidelines set out in the relevant guidance letters published by the Stock Exchange when determining the price and terms of the transactions conducted during the Reporting Year.

Reference is made to the Prospectus. The short-term secured financing business in which the Group is engaging is a regulated business in the PRC and according to the relevant governmental policy. The Company, as a foreign investor, would not be granted the necessary approval to conduct and invest in the pawn loan business in the PRC. As a result, the Group, through an indirect wholly-owned subsidiary of the Company, Huifang Tongda, has entered into a series of the Contractual Arrangements with the PRC Operating Entity, which possess the necessary licences for the operation of the Group's short-term secured financing business in the PRC, such that the Group can conduct its business operations indirectly in the PRC through the PRC Operating Entity while complying with applicable PRC laws and regulations. The Contractual Arrangements are designed to provide the Group with effective control over the financial and operational policies of the PRC Operating Entity and, to the extent permitted by the PRC laws and regulations, the right to acquire the equity interests in and/or the assets of the PRC Operating Entity. Further, pursuant to the Contractual Arrangements, all economic benefits derived from the operation of the PRC Operating Entity are enjoyed by the Group and the financial results of the PRC Operating Entity are consolidated into the Group as if it were a wholly-owned subsidiary. For the year ended 31 December 2022, profit for the year totalling approximately RMB16.9 million and net assets totalling approximately RMB1,281.6 million of the PRC Operating Entity were consolidated into the consolidated financial statements of the Group via the Contractual Arrangements.

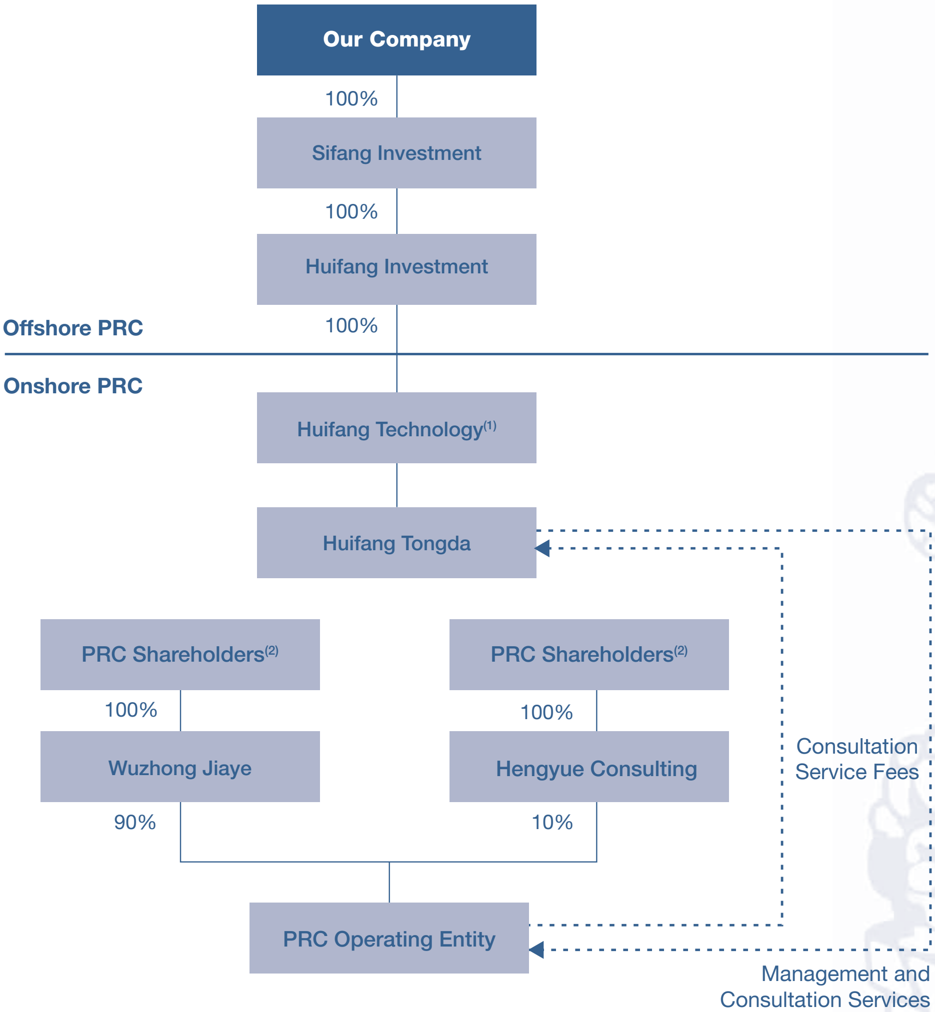
The Contractual Arrangements currently in effect comprise the following agreements, namely (a) the Exclusive Management and Consultation Service Agreement (as supplemented by the Supplemental Agreement to the Exclusive Management and Consultation Service Agreement), (b) the Exclusive Call Option Agreement, (c) the Proxy Agreement, (d) the Equity Pledge Agreement (as amended by the amended Equity Pledge Agreement), (e) the VIE Transfer Agreement, and (f) the PRC Shareholders Loan Agreement, which were entered into between, among others, the PRC Operating Entity, Huifang Tongda, Mr. Zhu Tianxiao ("Mr. Zhu"), Mr. Chen Yannan ("Mr. Chen") and/or Mr. Zhuo You ("Mr. Zhuo") (as the case may be). A summary of the aforementioned agreements are set out below.

Mr. Zhu, through two companies wholly owned by him, namely Xiaolai Investment Co., Ltd and Xilai Investment Co., Ltd, holds approximately 29.81% of equity interest in the Company and accordingly, he is a controlling shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Chen ceased to be a connected person of the Company since his resignation of an executive Director with effect from 28 May 2018. Mr. Zhuo has retired as non-executive Director of the Company with effect from 26 May 2022 and hence a connected person of the Company under Rule 14A.07(2) of the Listing Rules.

The PRC Operating Entity is owned indirectly as to 50% by Mr. Zhu and therefore, is an associate of Mr. Zhu. As a result, the PRC Operating Entity is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. In addition, Mr. Zhu and Mr. Zhuo are parties to some agreements under the Contractual Arrangements. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing.

CONTRACTUAL ARRANGEMENTS

The following diagram sets out the simplified structure of the Group as of 31 December 2022 and illustrates the Contractual Arrangements between the PRC Operating Entity and Huifang Tongda:



Notes:

(1) The former name is Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司) and the change of name was effected on 12 December 2013.

(2) The PRC Shareholders are Zhu Tianxiao (50%), Zhang Xiangrong (13%), Ge Jian (11%), Chen Yannan (10%), Wei Xingfa (4%), Yang Wuguang (6%) and Zhuo You (6%).

SUMMARY OF THE AGREEMENTS UNDER THE CONTRACTUAL ARRANGEMENTS

(a) Exclusive Management and Consultation Service Agreement

On 31 December 2011, Huifang Technology and the PRC Operating Entity entered into an exclusive management and consultation service agreement, as subsequently supplemented by the Supplemental Agreement (as defined below) (the "Exclusive Management and Consultation Service Agreement"), pursuant to which the PRC Operating Entity has agreed to engage Huifang Technology on an exclusive basis to provide consultation and other ancillary services, including without limitation enterprise management, market development and consultancy services. Pursuant to the Exclusive Management and Consultation Service Agreement, the PRC Operating Entity may not, among other restrictions or obligations, engage any other third party to provide similar services without the prior written consent of Huifang Technology.

In consideration for the provision of such services by Huifang Technology, the PRC Operating Entity has agreed to recognise consultation service fees payable to Huifang Technology on a quarterly basis. The consultation service fees will be billed by Huifang Technology to the PRC Operating Entity and are equivalent to the total revenue before tax audited pursuant to the Hong Kong Financial Reporting Standards less all the related costs incurred and reasonable expenses of the PRC Operating Entity.

The term of the Exclusive Management and Consultation Service Agreement commenced on 31 December 2011 and will expire on 30 December 2031 and is renewable at the sole election of Huifang Technology for successive terms as determined by Huifang Technology, until termination by Huifang Technology.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Exclusive Management and Consultation Service Agreement to Huifang Tongda, in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below.

On 21 November 2012, Huifang Tongda and the PRC Operating Entity entered into a supplemental agreement to the Exclusive Management and Consultation Service Agreement (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the consultation service fees, as the consideration for the provision of the service by Huifang Tongda, shall be equivalent to the total revenue before tax less all the related costs and expenses reasonably incurred by the PRC Operating Entity, provided that, Huifang Tongda may decide, for the purpose of operations and business expansion of the PRC Operating Entity, the actual amount of the service fees. The Supplemental Agreement is deemed to have retrospectively become effective on 1 July 2012. The Supplemental Agreement was entered into for the purpose of maintaining a certain level of net assets and net profits for the PRC Operating Entity, which will affect the amount of loans the PRC Operating Entity can grant and its ability to open a branch pursuant to the applicable regulations of the PRC, and to grant Huifang Tongda a right to decide the amount of the service fees charged on the PRC Operating Entity according to the PRC Operating Entity's operational needs and future business expansion. Pursuant to the Supplemental Agreement, it is Huifang Tongda's right to decide whether to change the amount of the service fees charged on the PRC Operating Entity, and pursuant to the Exclusive Call Option Agreement (as defined hereinafter), Huifang Tongda has been irrevocably and unconditionally granted an option to acquire the entire equity interest in the PRC Operating Entity and/or all assets of the PRC Operating Entity. Any profits not paid to Huifang Tongda in the form of consultation service fees may be acquired by Huifang Tongda when it exercises its option under the Exclusive Call Option Agreement. As a result, our ability to receive the entire economic benefits of the PRC Operating Entity as provided by the Contractual Arrangements is not affected by the Supplemental Agreement.

(b) Exclusive Call Option Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into an exclusive call option agreement (the "Exclusive Call Option Agreement") pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Technology an option to acquire, directly and/or through one or more nominees, the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the PRC Operating Entity and/or all assets of the PRC Operating Entity at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations. If the PRC laws and regulations are silent in this regard, the price will be set at the nominal price agreed by the parties thereto. The PRC Operating Entity and the PRC Shareholders also agreed to the option granted to Huifang Technology. Subject to compliance with applicable PRC laws and regulations, Huifang Technology may exercise the option at any time, and acquire all or part of the equity interests and/or assets of the PRC Operating Entity in any manner in its sole discretion. In addition, Huifang Technology has undertaken to exercise the option and unwind the Contractual Arrangements as soon as applicable PRC laws and regulations allow our short-term secured financing business to be directly operated by Huifang Technology in China.

Pursuant to the Exclusive Call Option Agreement, the PRC Operating Entity may not, without the prior written consent of Huifang Technology, declare or distribute any dividends to its shareholders. Wuzhong Jiaye and Hengyue Consulting shall procure the PRC Operating Entity and the PRC Shareholders shall procure Wuzhong Jiaye and Hengyue Consulting, not to declare or distribute such dividends. In addition, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of dividend declared and distributed at any time or any interest payable to them by virtue of their holding of the equity interest in the PRC Operating Entity. Furthermore, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders have undertaken to assign or transfer to Huifang Technology and/or to one or more nominees any and all of proceeds or consideration received from the sales or disposal of the equity interest held in the PRC Operating Entity, and all of any appropriation of assets upon termination or liquidation of the PRC Operating Entity.

The Exclusive Call Option Agreement became effective on 31 December 2011 and will expire on the date on which all the equity interests or assets of the PRC Operating Entity are transferred to Huifang Technology and/or one or more nominees as contemplated under the Exclusive Call Option Agreement.

(c) Proxy Agreement

On 31 December 2011, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a proxy agreement (the "Proxy Agreement") whereby Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally undertook to authorise Huifang Technology or the directors and their associates as authorised by Huifang Technology to exercise their shareholders' rights under the articles of association of the PRC Operating Entity and applicable PRC laws and regulations. Such shareholders' rights include but are not limited to (i) convening and attending the shareholders' meetings of the PRC Operating Entity pursuant to its articles of association; (ii) exercising voting rights on all matters requiring shareholders' consideration and approval, including but not limited to the nomination and removal of all the directors and/or chief executive members of the PRC Operating Entity whose appointment and removal is to be determined by the shareholders; (iii) passing resolutions on the disposal of the assets of the PRC Operating Entity; (iv) passing resolutions on the dissolution and liquidation of the PRC Operating Entity, forming a Liquidation Committee and exercising the rights and powers of the Committee, including but not limited to dealing with the assets of the PRC Operating Entity; (v) signing any and all shareholders resolutions; (vi) filing all the relevant documents with the relevant companies registry; and (vii) all other shareholders' voting rights under the articles of association of the PRC Operating Entity and/or applicable PRC laws and regulations.

Pursuant to the Proxy Agreement, Huifang Technology may exercise such shareholders' rights without the prior consultation with Wuzhong Jiaye, Hengyue Consulting or the PRC Shareholders. Wuzhong Jiaye, Hengyue Consulting as well as the PRC Shareholders shall not exercise such shareholders' rights without the prior written consent of Huifang Technology.

The Proxy Agreement became effective on 31 December 2011 and will expire on 30 December 2031 and is renewable at the election of Huifang Technology for successive terms as determined by Huifang Technology. The Proxy Agreement will expire upon the termination by Huifang Technology or until the date on which all the equity interest in the PRC Operating Entity are transferred to Huifang Technology and/or its nominees as contemplated under the Exclusive Call Option Agreement.

(d) Equity Pledge Agreement

On 31 December 2011, Huifang Technology and the PRC Shareholders entered into an equity pledge agreement with Wuzhong Jiaye and Hengyue Consulting, respectively, as subsequently amended as described below (collectively, the "Equity Pledge Agreement"), pursuant to which the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Technology for guaranteeing the performance of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement and the Proxy Agreement.

Pursuant to the Equity Pledge Agreement, Huifang Technology is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and/or the Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Technology.

The Equity Pledge Agreement became effective on the date of its execution by all relevant parties (subject to the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed) and shall terminate upon the performance by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) in full of all obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement, the Equity Pledge Agreement or the repayment of all losses arising from the breach of the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement.

On 29 February 2012, Huifang Technology transferred all its rights and obligations under the Equity Pledge Agreement to Huifang Tongda in accordance with the VIE Transfer Agreement as described in sub-paragraph (e) below for further information of the VIE Transfer Agreement.

On 22 May 2013, Huifang Tongda, as the transferee of all the rights and obligations of Huifang Technology under the Equity Pledge Agreement, amended the Equity Pledge Agreement with the PRC Shareholders and each of Wuzhong Jiaye and Hengyue Consulting respectively. Pursuant to the amended Equity Pledge Agreement, the PRC Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda as a guarantee to the performance of the PRC Shareholders Loan Agreement (as defined hereinafter), in addition to the performance of the Exclusive Management and Consultation Service Agreement (as described in details above), in addition to the Exclusive Call Option Agreement and the Proxy Agreement which was covered by the Equity Pledge Agreement entered into on 31 December 2011 and transferred to Huifang Tongda on 29 February 2012 as described in the immediate preceding paragraph.

Pursuant to the amended Equity Pledge Agreement, Huifang Tongda is entitled to exercise its rights to sell all or part of the pledged equity interests in Wuzhong Jiaye and Hengyue Consulting upon the non-performance or breach of any of the terms of the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement. In addition, the PRC Shareholders shall not pledge their respective equity interests in Wuzhong Jiaye and Hengyue Consulting in favour of or to other third parties without the prior written consent of Huifang Tongda.

The amended Equity Pledge Agreement became effective on 22 May 2013 upon execution by all relevant parties and the completion of the registrations of the pledge in the register of members of the PRC Operating Entity which have been completed, and shall terminate upon the performance of all obligation in full or the repayment of all losses arising from the breach by the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be) under the Exclusive Management and Consultation Service Agreement (as supplemented), the Exclusive Call Option Agreement, the Proxy Agreement, the PRC Shareholders Loan Agreement, and the amended Equity Pledge Agreement.

In addition, as the shareholders of the PRC Operating Entity, Wuzhong Jiaye and Hengyue Consulting amended the articles of association of the PRC Operating Entity on 31 December 2011. According to the articles of association currently in effect, no shareholder may pledge any of its equity interest in the PRC Operating Entity to any party.

(e) VIE Transfer Agreement

On 29 February 2012, Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a transfer agreement of structural contracts (the "VIE Transfer Agreement") pursuant to which Huifang Technology has agreed to transfer all of its rights and obligations under the Exclusive Management and Consultation Service Agreement, the Exclusive Call Option Agreement, the Proxy Agreement and the Equity Pledge Agreement to Huifang Tongda. Accordingly, on the same date, Huifang Tongda entered into relevant new agreements with the respective parties to effectuate such transfer. The VIE Transfer Agreement and such new agreements became effective on 29 February 2012. After the transfer, Huifang Technology became an investment holding company with no substantive businesses and may serve as a platform for the Company to expand into various new business sectors.

(f) PRC Shareholders Loan Agreement

On 22 May 2013 Huifang Tongda, PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders entered into a loan agreement (the "PRC Shareholders Loan Agreement"), pursuant to which Huifang Tongda agreed to extend interest-free loans equivalent to an amount to be injected as registered capital into the PRC Operating Entity (the "Capital Contribution Amount") to the PRC Shareholders in accordance with the PRC laws and regulations. The PRC Shareholders will contribute the full amount of the Capital Contribution Amount to the registered capital of Wuzhong Jiaye and Hengyue Consulting, which will in turn contribute such loan proceeds to the PRC Operating Entity as registered capital. Under the PRC Shareholders Loan Agreement, Huifang Tongda may request, at any time in its absolute discretion and to the extent permitted by the PRC laws and regulations, the PRC Shareholders to repay the loan (i) by using the capital realized from Huifang Tongda's exercise of its rights under the Exclusive Call Option Agreement to purchase from Wuzhong Jiaye and Hengyue Consulting, the entire equity interests in the PRC Operating Entity and/or all assets of the PRC Operating Entity, followed with a capital reduction of Wuzhong Jiaye and Hengyue Consulting (as well as PRC Operating Entity, as applicable); or (ii) any other means as permitted by applicable PRC laws and regulations.

RISK RELATING TO THE CONTRACTUAL ARRANGEMENTS

The following risks are associated with the Contractual Arrangements. Further details of the risks are set out on pages 36 to 44 of the Prospectus.

- imposing economic penalties;
- restricting our right to collect revenues;
- revoking the business licences and/or the licences or certificates of the PRC Operating Entity;
- discontinuing or restricting the operations of the PRC Operating Entity;
- imposing conditions or requirements in respect of the Contractual Arrangements with which we may not be able to comply;
- requiring us to restructure the relevant ownership structure or operations;
- voiding the Contractual Arrangements; and
- taking other regulatory or enforcement actions that could adversely affect our business.

MITIGATION ACTIONS TAKEN BY THE COMPANY

- The Company has existing protections measures under the Contractual Arrangements. The Company's Internal Control Department will regularly review the compliance and performance of such conditions under the Contractual Arrangements.
- The Company's legal department will deal with matters relating to compliance and regulatory enquiries from relevant PRC authorities and report to the Board on a regular basis.

During the Reporting Year, there had been no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

The Group has not terminated the Contractual Arrangements as the foreign investment restrictions that led to the adoption of the Contractual Arrangements have not been removed in the PRC.

A waiver has been granted by the Stock Exchange regarding strict compliance with (i) the applicable disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting a maximum aggregate annual value (i.e. annual cap) for the fees payable to Huifang Tongda under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the shares of the Company are listed on the Stock Exchange, subject to certain conditions as set out in the Prospectus. In addition, pursuant to the waiver granted by the Stock Exchange, the framework of the Contractual Arrangements may be renewed and/or cloned upon the expiry of the existing arrangements or, in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group might wish to establish, without obtaining the approval of the independent non-executive Directors and the independent Shareholders, on substantially the same terms and conditions as the Contractual Arrangements.

The independent non-executive Directors of the Company have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the Reporting Year have been entered into in accordance with the relevant provisions of the Contractual Arrangements which had been entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group; and the terms are fair and reasonable and in the interests of the Shareholders as a whole; and have been operated so that the revenue generated by the PRC Operating Entity has been substantially retained by Huifang Tongda; (ii) no dividends or other distributions have been made by the PRC Operating Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Contractual Arrangements from the Listing Date till the end of the Reporting Year.

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Listing Rule 14A.56 of the Listing Rules and confirmed that nothing has come to their attention that causes them to believe that the continuing connected transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2022 (a) have not received the approval of the Board and (b) were not entered into, in all material respects, in accordance with the relevant Contractual Arrangements.

A copy of the auditor's letter on the continuing connected transactions of the Group year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

Save for the continuing connected transactions disclosed above and certain other connected transactions and continuing connected transactions which are exempted from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, during the Reporting Year, there were no other transactions which constituted connected transaction or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

THE INVESTMENT FUND

Qianhui Tongcui (the "Investment Fund") was established by Huifang Tongcui and Qianhui Investment, an independent third party, on 25 July 2022. It obtained the Private Investment Fund Filing Information approved by the Asset Management Association of China on 8 September 2022. The planned assets under management of Qianhui Tongcui is approximately RMB200 million and the subscribed assets under management of the Investment Fund is RMB52 million. The investment period is seven years. The relevant information is summarized below.

Investment objective

The Investment Fund shall invest in equities of growing and mature enterprises in the advanced manufacturing-related fields, with the objective of bringing reasonable investment returns to investors while promoting scientific and technological innovation. The Investment Fund shall primarily focus on identifying investment opportunities which are in line with the PRC's national innovation-driven development and the direction of industrial transformation and upgrade. The Investment Fund shall primarily invest in the Yangtze River Delta region of the PRC.

As of 31 December 2022, the registered capital of the Investment Fund was RMB52 million and the paid-in capital was RMB20.4 million. There was one investment project with an investment amount of RMB10 million. The investment industry is mainly electronic chemicals.

Term

The term of the Investment Fund is seven years from the date on which the Investment Fund has obtained the business licence from the relevant PRC authority, which may be further extended by the unanimous consent of all the partners of the Investment Fund. The first three years of the term of the Investment Fund shall be designated as the investment period (the "Investment Period"), with the following two years after the expiry of the Investment Period designated as the management period of the Investment Fund (the "Management Period"). The final two years of the term, or if such term shall be further extended, the remaining period of the term after the expiry of the Management Period, shall be designated as the exit period of the Investment Fund (the "Exit Period").

Executive partners and manager

Huifang Tongcui and Qianhui Investment act as executive partners to the Investment Fund, and Qianhui Investment acts as a manager to the Investment Fund.

Qianhui Investment was founded in June 2020 and is principally engaged in private equity fund management. It is a private equity fund manager registered with the Asset Management Association of China with registration number P1071480, targeting companies in the growth and mature stages of the business cycle. It is led by a management team with years of experience in equity investment and fund raising with a focus on the industries of advanced manufacturing, advanced material and medical health.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Qianhui Investment is ultimately owned by Mr. Chang Yubao, an independent third party. Mr. Chang Yubao served as the vice president of Suzhou International Development Venture Capital Holding Co.,Ltd.* (蘇州國發創業投資控股有限公司), a state-owned professional equity investment institution in Suzhou, and the general manager of Suzhou International Development Equity Investment Fund Management Co., Ltd.* (蘇州國發股權投資基金管理有限公司), and has considerable experience in equity investment and fund management.

Management fee

Qianhui Investment shall be entitled to a management fee at 2% per annum of the total capital commitment of the Investment Fund during the Investment Period and the Management Period, provided that the cumulative management fee to be paid to Qianhui Investment during the term of the Investment Fund shall not exceed 10% of the total capital commitment of the Investment Fund. The management fee shall be payable yearly.

Profit distribution and loss sharing

The balance of the cash income derived from the Investment Fund (after deducting expenses of the Investment Fund as approved by two-thirds of the partners of the Investment Fund) shall be distributed in the following order:

(i) to the limited partners in accordance with the proportion of paid-up capital contributed by each limited partner at the time of distribution, until the cumulative amount received by each limited partner equals the amount of paid-up capital contributed by the respective limited partners;

(ii) to the general partners in accordance with the proportion of paid-up capital contributed by each general partner at the time of distribution, until the cumulative amount received by each general partner equals the amount of paid-up capital contributed by the respective general partners;

(iii) to all partners in accordance with the proportion of paid-up capital contributed by each partner at the time of distribution, until the amount received by each partner represents an average net investment return (calculated by the amount of paid-up capital contributed from the date of actual contribution to the date of distribution) of 8% per annum; and

(iv) the remaining balance shall be distributed as follows:

(a) 80% to all partners in accordance with the proportion of their paid-up capital contribution; and

(b) 20% to Qianhui Investment and Huifang Tongcui equally.

Investment committee

The investment committee considers and approves investment decisions. The investment committee comprises of three members, among which Huifang Tongcui may nominate one member and Qianhui Investment may nominate one member.

Investment restrictions

The Investment Fund will be subject to the following investment restrictions and shall not:

(i) invest in secondary market stocks, futures, securities investment funds, corporate bonds rated below AAA, trust products, nonprincipal-protected wealth management products, insurance plans and other financial derivatives;

(ii) engage in guarantee, mortgage, entrusted loan, real estate transactions (including purchase of self-occupied real estate) and other related businesses;

(iii) expend on sponsorships or donations;

(iv) directly or indirectly accept public deposits, or provide loans or lend money to any third party;

(v) engage in any investment with unlimited liability;

(vi) issue trust products or pooled financial products to raise funds; or

(vii) engage in any other business that is prohibited by the PRC laws and regulations.

For more details, please refer to the announcements of the Company dated 13 May 2022 and 19 May 2022.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITORS

The consolidated financial statements have been audited and agreed by PricewaterhouseCoopers. The Board, with the recommendation of the Audit Committee, unanimously resolved not to re-appoint PricewaterhouseCoopers as the auditors of the Company and resolved to propose the appointment of RSM Hong Kong as the new auditors of the Company following the retirement of PricewaterhouseCoopers. The proposed appointment is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

By order of the Board

Wu Min
Chairman

Hong Kong, 28 March 2023

The Board hereby presents to the Shareholders the corporate governance report for the Reporting Year.

CORPORATE GOVERNANCE CULTURE AND PURPOSE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

— satisfactory and sustainable returns to Shareholders;

— that the interests of those who deal with the Company are safeguarded;

— that overall business risk is understood and managed appropriately;

— the delivery of high-quality products and services to the satisfaction of customers; and

— that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices, including but not limited to:

— the frequency and proper conduct of Board meetings;

— the well-balanced composition of the Board, with independent non-executive Directors representing not less than one-third of the total number of Directors;

— the proper procedures for appointment and re-election of Directors;

— the annual review of individual Directors' contributions to the Group and the years of service of each independent non-executive Director;

— the establishment of an audit committee to review the financial reporting and to meet with the external auditor of the Company at least once without the presence of the other Directors during the year under review;

— the establishment of a remuneration committee to review the remuneration policy and other remuneration-related matters of the Group; and

— the establishment of a nomination committee to formulate a policy concerning diversity in the Board and a nomination policy, make recommendations to the Board on any proposed appointment of Directors and assess the independence of the independent non-executive Directors on a regular basis.

In the opinion of the Board, the Company has complied with the principles and code provisions as set out in the CG Code throughout the Reporting Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

The Company has also adopted the Model Code as written guidelines for securities transactions by the relevant employees (the "Employees Written Guidelines") who are likely to be in possession of inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board of the Company currently comprises the following Directors:

Executive Directors:
Mr. Wu Min *(Chairman)*
Mr. Qiu Wei *(Chief Executive Officer)*
Mr. Zhang Changsong *(Vice President)*
Mr. Yao Wenjun *(Vice President)*

Non-executive Directors:
Ms. Zhang Shu
Mr. Ling Xiaoming

Independent Non-executive Directors:
Mr. Liang Jianhong
Mr. Feng Ke
Mr. Tse Yat Hong

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 32 to 35 of this annual report.

None of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) among each other.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Wu Min and Mr. Qiu Wei respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

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

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the Reporting Year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company needs to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the Reporting Year, all Directors has completed the independence evaluation. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the Reporting Year, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than two months' written notice served by either the executive Directors or the Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment unless terminated by not less than two months' written notice served by either the relevant the non-executive Directors/independent non-executive Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

In accordance with Article 84(1) and (2) of the Articles of Association, one-third of the Directors of the Company for the time being (or, if their number is not a multiple of three, the number nearest to but no less than one-third) shall retire from office at each annual general meeting provided 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 and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those subject to retirement by rotation 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 as Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. In accordance with Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such 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. Accordingly, Mr. Wu Min, Mr. Feng Ke and Mr. Tse Yat Hong being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of Mr. Wu Min, Mr. Feng Ke and Mr. Tse Yat Hong has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors 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.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

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

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Year are summarized as follows:

Name of Directors	Type of Training [Note]
Executive Directors	
Wu Min	B
Qiu Wei *(Note 1)*	B
Zhang Changsong	B
Yao Wenjun *(Note 1)*	B
Non-Executive Directors	
Zhuo You *(Note 2)*	B
Zhang Cheng *(Note 2)*	B
Zhang Shu	B
Ling Xiaoming	B
Independent Non-Executive Directors	
Liang Jianhong	B
Feng Ke	B
Tse Yat Hong	A&B

Notes:

1. Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive Directors with effect from 26 May 2022.

2. Mr. Zhuo You and Mr. Zhang Cheng have retired as non-executive Directors with effect from 26 May 2022.

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination 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 Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Year, the Audit Committee held 2 meetings for reviewing the annual results and report in respect of the year ended 31 December 2021 and the interim financial results and reports in respect of the period ended 30 June 2022 as well as the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems through obtaining confirmation of the same, which is set out in the paragraph headed "RISK MANAGEMENT AND INTERNAL CONTROLS" on pages 70 to 71 of this annual report, and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and connected transactions arrangements for employees to raise concerns about possible improprieties.

The Audit Committee met the external auditors twice during the Reporting Year.

The Audit Committee consists of three members, namely, Mr. Tse Yat Hong (chairman) and Mr. Feng Ke, our independent non-executive Directors, and Ms. Zhang Shu, our non-executive Director.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions 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/her associates will participate in deciding his/her own remuneration.

During the Reporting Year, the Remuneration Committee met once for reviewing and making recommendation to the Board on the remuneration policy and structure of the Company, assessing the performance of executive Directors and reviewing the remuneration packages of the Directors and other related matters.

The terms of reference of the Remuneration Committee was amended on 28 March 2023. The Remuneration Committee has duties to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules with effect from 28 March 2023.

The Remuneration Committee consists of three members, namely, Mr. Liang Jianhong (chairman) and Mr. Tse Yat Hong, our independent non-executive Directors, and Mr. Wu Min, our executive Director.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Executive Directors are also determined with reference to salaries paid by comparable companies, their time commitment and responsibilities, the performance of the Company. The remuneration for the Executive Directors comprises basic salary, pensions and performance bonus. The remuneration policy for Independent Non-executive Directors is to ensure that Independent Non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the Independent Non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

The Remuneration Committee also made recommendations to the Board on the terms of service contracts or letters of appointment of the new executive Directors appointed during the Reporting Year.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, 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, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives (where appropriate) for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Year, the Nomination Committee met once to review the structure, size and composition of the Board, and to consider the qualifications of the retiring directors standing for re-election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The nomination committee consists of three members, namely, Mr. Wu Min (chairman), our executive Director, and Mr. Feng Ke and Mr. Liang Jianhong, our independent non-executive Directors.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2022:

	Female	Male
Board	11% (1)	89% (8)
Senior Management	50% (1)	50% (1)
Other employees	47% (66)	53% (75)
Overall workforce	45% (68)	55% (84)

The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group.

During the Reporting Year, the Nomination Committee is in progress of identifying suitable female candidate(s) for appointment to the Board on merit against objective criteria.

The Board had targeted to achieve and had achieved at least 11% of female Directors, 30% of female senior management and 40% of female employees of the Group and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 93 of this Annual Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the Reporting Year, the Nomination Committee recommended to the Board the appointment of two new executive Directors, namely Mr. Qiu Wei and Mr. Yao Wenjun. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the Reporting Year, the Company held five Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting and one general meeting.

The attendance record of each Director at the Board and Board committee meetings of the Company and general meeting of the Company held during the Reporting Year is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Wu Min	5/5		1/1	1/1	1/1
Qiu Wei *(Note 1)*	3/3				N/A
Zhang Changsong	5/5				1/1
Yao Wenjun *(Note 1)*	3/3				N/A
Zhuo You *(Note 2)*	1/2				0/1
Zhang Cheng *(Note 2)*	1/2				0/1
Zhang Shu	5/5	1/2			1/1
Ling Xiaoming	5/5				1/1
Liang Jianhong	4/5		1/1	1/1	1/1
Feng Ke	5/5	2/2		1/1	1/1
Tse Yat Hong	5/5	2/2	1/1		1/1

Notes:

1. Mr. Qiu Wei and Mr. Yao Wenjun have been appointed as executive Directors with effect from 26 May 2022.

2. Mr. Zhuo You and Mr. Zhang Cheng have resigned as non-executive Directors with effect from 26 May 2022.

Apart from regular Board meetings, the Chairman also held one meeting with independent non-executive Directors without the presence of other Directors during the Reporting Year.

The independent non-executive Directors and non-executive Directors have attended annual general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The Company has established relatively sound risk management system and internal control, feedback system, and has set up the Risk Management Department and the Internal Audit Department. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The management assesses the effectiveness of the risk management and internal control system annually and reports to the Audit Committee and the Board on any deficiency of internal control identified and propose solutions.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including assets management, risk control, financial reporting, internal control, information technology, administration management, human resources.

The Company's risk management and internal control systems have been developed with the following aim, features and processes. The aim of the Company is to establish a comprehensive risk management system covering all employees, products and operational processes. The Risk Management Department and the Internal Audit Department of the Company carry out regular and several ad-hoc audit and supervision on all businesses of the Company every year by analyzing, measuring, evaluating and managing one or more risks of the businesses. The Company publishes risk management report and internal control report on an annual basis, reviewing and evaluating the major risk types faced by the Company during the year and the operation of the risk management system, as well as revising the risk management guidelines and internal control guidelines for the coming year, to ensure balancing between the Company's earnings and risks.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The management has reviewed and confirmed to the Board and the Audit Committee on the effectiveness and adequacy of the risk management and internal control systems for the Reporting Year. The Board as supported by the Audit Committee as well as the management report and the internal audit findings, conducted an annual review of the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Details of the Company's risk management and internal control as at 31 December 2022 are set out in the section headed "Risk Management and Internal Control Report" on pages 76 to 85 of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022 with the support of the accounting and finance team.

The Directors are 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 auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 99 to 104.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services for the Reporting Year amounted to RMB3,000 thousand. No non-audit services has been provided by the Company's external auditors to the Company.

JOINT COMPANY SECRETARIES

Mr. Chai Kun is the joint company secretary of the Company during the Reporting Year.

During the Reporting Year, Ms. Leung Ching Ching has resigned as the joint company secretary of the Company with effect from 26 August 2022. Her primary contact person at the Company was Mr. Chai Kun. Ms. Kam Mei Ha Wendy of Tricor Services Limited, an external service provider, has been appointed as the joint company secretary of the Company with effect from 26 August 2022. Her primary contact person at the Company is Mr. Chai Kun.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

For the year ended 31 December 2022, Ms. Leung Ching Ching, Ms. Kam Mei Ha Wendy and Mr. Chai Kun have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. Pursuant to the Listing Rules, all resolutions put forward at general meetings will be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association, an extraordinary general meeting may be convened by the Board upon requisition of one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of the deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, while 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.

The requisitionist(s) must state the objects clearly in the requisition, sign the requisition and deposit the same to the Board or the joint company secretaries or the primary contact person of the Company.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward proposal at general meetings may deposit a requisition for convening an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their requisitions, proposed resolutions for the general meeting or enquiries to the Board as mentioned above to the primary contact person of the Company as set out below:

Name: Wu Min (吳敏)

Address: 9th Floor, Building A, No. 288 Yingchun Road, Wuzhong District, Suzhou, Jiangsu Province, PRC

Fax: 86-512-65131585

Email: cnhuirong@wuzhong.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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board as well as chairman of Audit Committee, Remuneration Committee and Nomination Committee or, in their absence, other members of the respective committees will make themselves available at the annual general meetings to meet Shareholders and answer their enquiries.

During the Reporting Year, the Company has not made any changes to its Memorandum of Association and Articles of Association. An up to date version of the Memorandum of Association and Articles of Association are also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at http://www.cnhuirong.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy on the regular Board meeting and considers that the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum of Association and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (http://www.cnhuirong.com). Other corporate information about the Company's business developments, goals and strategies and corporate governance will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: cnhuirong@wuzhong.com or by post to 9th Floor, Building A, No. 288 Yingchun Road, Wuzhong District, Suzhou, Jiangsu Province, PRC.

(f) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends pursuant to code provision F.1.1 of the CG Code that has become effective from 1 January 2019. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company do not have any pre-determined dividend payout ratio.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the Memorandum of Association and Articles of Association and all applicable laws and regulations and the factors set out below. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends, including financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Memorandum of Association and Articles of Association.

The Board will review the Dividend Policy as appropriate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

China Huirong Financial Holdings Limited (the "Company") has positioned itself as a financial service provider which offers diversified products to SMEs and individuals. By insisting on the dual strategy of "inclusive finance and ecology finance", we strive to become a comprehensive financial service group integrating pawnshop, micro-finance, commercial factoring, art investment, turnover loan fund, equity investment, special asset investment, etc.

All business in the Company involves one or more risks in analysis, measurement, evaluation, commitment and management to a certain extent. The major risk types confronted by the Company are credit risk, liquidity and financing risk, market risk and operational risk. The Company has established relatively sound risk management system and internal control, feedback system, and will make adjustments according to the economic environment and industry development, to ensure that it will achieve reasonable income while maintaining the risks within control.

1. RISK MANAGEMENT

The Company publishes risk management report on an annual basis, reviewing and evaluating the major risk types faced by the Company during the year and the operation of the risk management system, as well as revising the risk management guidelines for the coming year, to ensure balancing between the Company's earnings and risks.

Risks	Sources	Control and management risks
1.1 Credit risk		
Financial loss risk arises when customers and counterparties default on contractual obligations.	Credit risk is mainly attributable to direct loans.	Potential amount of the loss will be measured when customers and counterparties default on payment. The loss will be capped and monitored and subject to approval from persons designated in the organizational framework. When customers and counterparties default on their contractual obligations, potential risks and losses suffered from by the Company will be no more than the caps. Risk management will be implemented by the risk management personnel in compliance with a consistent and sound risk control framework with policies, principles and guidelines specified clearly.
1.2 Liquidity risk and financing risk		
Such risk will occur when the Company is unable to perform its obligations when due as a result of inadequate financial resource or performance of such obligations requires additional cost.	Liquidity risk arises from the time mismatch of cash flow. Financing risk occurs when liquidity could not be obtained with expected terms when necessary to fund the illiquid assets.	It will be measured with internal measurement standards including the stressed operating cash flow forecast, coverage ratio and the loan to core capital ratio and will be monitored by the audit committee of the Company in accordance with the liquidity and financing risk management framework in place.

Risks	Sources	Control and management risks
1.3 Market risk		
The risk arises from the change in market conditions such as exchange rates, credit spreads and share prices which may result in a decrease in the Company's income or the value of its investment portfolios.	Market risk is mainly attributable to deposits held by the Company in foreign currencies, assets and liabilities of the Company's lending services business as well as held-for-trading financial investments.	The risk will be measured based on its estimated loss and applied to estimate the potential loss of the risk exposure generated by the change of market interest rates and prices during a designated period in a specific credibility. Then it will be subject to stress test to assess its potential impact on the value of portfolios if something extreme but possible happens. Various monitoring measures are taken including the sensitivity of net interest income and the Company will manage such risk with approved risk limits.
1.4 Operational risk		
Such risk occurs when losses are incurred as a result of insufficient and ineffective internal procedures, human resources and systems or external events.	Operational risk is generated during daily operations or from external events and is relevant to all aspects of the Company's business.	Condition analysis procedures and risk and control assessment procedures will be applied to evaluate the risk level and effectiveness of the controlling. The risk will be monitored with key indicators and other internal control activities. Management of the risk will be mainly conducted by business and department managers who identify, assess, monitor and manage such risk as well as evaluating the effectiveness of the operational risk management framework in effect. The risk and audit department is responsible for such framework and the supervision of the operational risk management conducted in such business and departments.

The Company has established risk management policy procedures to identify risks covering all employees, products and operational processes, analyze the sources and influence of the risks, define the scope of risks, determine appropriate risk limits, clarify responsibilities and reporting processes and monitor and control all kinds of risks with its reliable and timely information management system. The risk management frameworks/policies, statement of risk exposure level and major limits of risk control are subject to approval from the Board and will be monitored and reviewed by the Directors regularly. The Company has set up efficient risk management frameworks and accountability mechanism and arranged for appropriate supervision and control on risks of all types and in every level across the Company, with an aim to ensure the effectiveness of its risk management.

The Board will assume ultimate responsibility for the statement of risk exposure level and the effectiveness of risk management of the Company. The audit committee is responsible for reviewing the statement of risk exposure level and consistency of the mid-to-long-term strategies and advises and reports to the Board with respect to the risk management, internal control and high level risk related matter.

The Audit Committee is in charge of constantly monitoring, assessing and managing the risk environment and the effectiveness of risk management policies. The director of risk control will report to the Board on the actual risk exposure of the Company regularly as well as relevant deviations and management improvements required to be made.

1.1 Credit Risk

Credit risk refers to financial loss risk arising from customers' or counterparties' default on their contractual obligations. Credit risk is mainly attributable to direct loans. The Company has specified standards, policies and procedures to control and monitor credit risks in all relevant business.

Designated functions shall be reported to the director of risk control and credit risk is under centralized management with the following work conducted:

— Establish approval procedures, monitoring procedures after granting loans and policies of collection and for large loans;

— Publish guidelines for loans granted to specific markets, industries and products as well as acceptable facilities, mitigation risk and evaluation parameters for specific collaterals;

— Set up limits to monitor credit risks of industries, counterparties and loan portfolio types, etc.;

— Maintain and develop credit risk/credit rating systems to categorise risks for management purposes;

— Inform senior management and all committees of credit information of the Company;

— Actively manage and develop the credit system; and

— Advise the business departments on relevant loans and provide them with guidelines in this regard.

Concentration of Credit Risk

In terms of the Company's customers, they are mostly small, medium and micro enterprises, business owners or individuals with less diversified business models and weak capability for business transformation, and they tend to struggle hardly in economic downturns as they are at the grass-root level of the industry chain. However, as we have paid more attention to the form of security and diversification of credit assets, the increase in the non-performing credit assets of the Company was effectively controlled.

Counterparties of the Company are mainly located in Suzhou where the economy is well developed, indicating high regional concentration and that it will be influenced by regional economy more easily. For the financial year ended 31 December 2022, our business has covered Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha, Nanchang and Hong Kong. With development of the new business, risk concentration will be reduced gradually.

Management and Collection of Impaired Loans

The Company will continuously analyse and monitor its loans from different aspects. It pays much attention to doubtful loans and makes provisions for the impaired loans in a timely and consistent manner according to designated guidelines. It will also form a loan collection team to render comprehensive support to the customer, with an aim to maximize the recoverability of the doubtful debts. The management will review loan portfolios in detail on a regular basis, compare the performance and overdue statistics of the portfolios with past trends and assess the recent economic environment to identify if there is any impaired loan requiring appropriate provisions.

Credit Risk Management

The money lending business of the Group mainly includes three business units, namely (i) pawnshop business, micro-finance business and overseas finance business; (ii) turnover loan funds business; and (iii) commercial factoring business.

For each of the Group's money lending business units, the Group has formulated clear guidelines, policies and measures for the entire loan process, from assessment of credit risks and granting of loans, to post-lending monitoring and risk management, details of which are set out below. Different functions, such as credit risk assessment, lending procedures and approval of new loan applications are clearly delineated and segregated.

(i) Pawnshop business, micro-finance business and overseas finance business
Below is a summary of the product types available under each category of this business unit:

- **Pawnshop business:** mainly comprises the provision of real estate backed loans, movable property backed loans and unsecured loans. The unsecured loans in this category mainly comprises of equity interest backed loans.

- **Micro-finance business:** mainly comprises the provision of real estate backed loans and unsecured loans. The unsecured loans in this category mainly comprises guaranteed loans and credit loans.

- **Overseas finance business:** comprises of the provision of unsecured loans, which are mainly guaranteed loans.

The product types in this business unit can broadly be categorised into secured loans and unsecured loans.

(a) Secured loans

Granting of loans
Secured loans are granted by taking into account the collateral to be provided and the customer's cash flows and solvency position. Credit risks of customers are comprehensively assessed based on multiple factors, such as value of the collateral given, the customer's credit record, the customer's solvency and an analysis on the customer's industry and prospect.

Renewal of loans
Each loan renewal will be considered as a new loan to be granted and assessed under the same set of procedures adopted for new loan applications. The Group will also consider whether the interest and principal payments of the previous loan(s) has/have been paid on schedule, and whether the appraised value of the collateral is still acceptable to the Group for the loan renewal.

Ongoing credit risk assessment
Assessment of the customer: In addition to the credit risk analysis conducted upon granting of loans, periodic credit risk assessment on the customer will be conducted based on various other factors, including credit record, source of repayments (including a review conducted on a corporate customer's (or its controlling entity's) revenue, assets and liabilities, and the available assets of an individual customer), anti-fraud inquiries and marital status of the customer.

Assessment of the collateral: Assessment on the collateral will be focused upon (i) authenticity and legitimacy; and (ii) value of the collateral. Authenticity and legitimacy will be reviewed by perusing the relevant documents as mentioned in the paragraph headed "Documents reviewed" below. Value is assessed based on any appraised value issued by appraisal institutions, and the ability to realise the value of the asset, taking into account the nature, location, age and size (in case of a property) of the asset.

Assessment of repayment: The repayment of the principal and interest by the mortgagor (borrower) is also continuously monitored. If the repayment of the principal and interest of a loan is overdue or if there is a major event affecting the collateral which is brought to the attention of the Group, the Group will enforce its rights as creditor through legal proceedings if necessary.

Documents reviewed
In the process of credit risk assessment of customers, the Group will obtain and review both the customer's credit report issued by the People's Bank of China, the anti- fraud assessment report issued by third-party assessment agency and collateral assessment report issued by third-party assessment agency, respectively. The Group will also obtain and review the identity card or the business licence to verify the customer's identity and require all documents to be signed by the customer as borrower.

Where fixed assets collaterals are involved, to mitigate operational risks, the document review process also entails verification of the authenticity of the contract and the validity of the mortgage. For example, for loans with real estate collaterals, the Group will obtain and review title documents and relevant contracts to ensure the validity of the mortgage.

(b) *Unsecured loans*

Granting of loans
Unsecured loans mainly involve equity interest backed loans, guaranteed loans and credit loans.

Unsecured loans are granted by taking into account the customer's cash flows and solvency position. Credit risks of customers are assessed and monitored in the same manner as secured loans.

In addition, a comprehensive pre-loan investigation report on the customer will be prepared by the business department for review by the loan examination department, which includes the following information:

— the basic information of the customer;

— the key financial information of the corporate customer and its operational data, including:

  • analysis on medium and long-term solvency, such as gearing ratio, current ratio and cash ratio;

  • analysis on corporate profitability, such as operating profit margin and net profit ratio;

  • non-financial indicators, such as electricity consumption, water consumption and salary payment; and

— the information of the guarantor (if any), including the guarantor's assets and ability to provide such guarantee and factors analogous to an examination of the financial information of the borrower customer.

Ongoing credit risk assessment
Periodic review is conducted on the repayments status and the financial status of the customer and guarantor. In the case of an overdue repayment of principal or interest of an unsecured loan or if there occurs a major event involving the guarantor of an unsecured loan, upon identification of the reasons of the specific customer's or the guarantor's inability to repay, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its guaranteed amount or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documents reviewed

In the process of credit risk assessment, the Group will obtain and review the customer's credit report issued by the People's Bank of China and anti-fraud assessment report issued by third-party assessment agency, respectively.

For avoidance of operational risks, the document review process also entails verification of the identity of the customer. For example, the Group will obtain and review the identity card or the business licence to verify the customer's identity and require all documents to be signed by the customer as borrower.

For equity interest backed loans, the Group will conduct an internal review of the results and value of the equity interests. The Group will also obtain and review the equity interest registration certificate issued by the relevant department to verify the validity of the equity interest.

(ii) Turnover loan funds business

In the PRC, SME borrowers who received loans from banks have to repay the loan amount in full upon expiry and re-apply for a new loan, thereby creating a strong demand for services provided by bridging loan providers that will lead to timely approval of the new loan by banks to the SMEs and also flexible repayment terms. The Group provides short-term loan funds to SMEs for them to repay the expiring loans and after the SMEs have drawn down the new loans from the cooperation banks, the SMEs will repay the short-term loan funds (together with interest accrued thereon) to the Group, so as to alleviate the SMEs' capital turnover pressure caused by the "payment first and loan later" ("先還後貸") notion prevalent in the process of grant of loans in the PRC.

The Group mainly relies on Huifang Rongtong as the legal entity to carry out its business in turnover loan fund, which is a turnover loan funds business (轉貸基金) approved, guided and supervised by the Suzhou Wuzhong People's Government. It cooperates with banks that have branches in Wuzhong District of Suzhou and provides short-term loan funds to SMEs that (i) meet bank credit requirements, given their track record of repayment and credit risks have already been assessed by the banks previously; and (ii) experience difficulties in repaying their previous loan amount in full for its renewal. The process of this business will normally be kick-started by the SMEs (some of them are referred by cooperation banks of the Group) by first applying to the Group for turnover loan funds, after which, the Group will conduct due diligence on the SMEs, and will provide funds to them according to the conditions and amount of loans confirmed by the cooperation banks to the Group.

Funds are advanced/granted to SMEs in the turnover loan funds business. The source of the funds of the Group mainly comes from the paid-up registered capital in the amount of RMB75 million of Huifang Rongtong and interest income generated from this business. After the Group enters into loan agreements with the SMEs, the Group will remit the funds to the turnover repayment account of the SMEs that meets the bank's management requirements. Upon the previous loans with the cooperation bank being settled, the cooperation bank lends new loan to the SMEs, and transfers the amount of the turnover loan funds advanced/granted by the Group (together with interest accrued thereon) to a turnover loan special account or a designated entrusted account of the Group that meets the bank's management requirements, which will be regarded as a repayment of the turnover loan funds by the SMEs to the Group.

Granting of loans

In order to qualify for grant of a loan under this business unit, the SME must go through the credit review process and satisfy the borrower qualifications of the lending bank, which involves assessment of credit, financial resources and operational data and etc.

Once the SME has passed the credit review assessment, a contract will be issued by the Company in accordance with the internal administrative measures governing turnover loan funds.

The amount of each turnover loan shall not exceed RMB20 million.

The credit risks borne by the Group in this business include the risks of:

(i) the changes in loan renewal conditions of the banks;

(ii) the SMEs not meeting the conditions for loan renewal;

(iii) the SMEs changing the use of loan funds for other purposes instead of repayment of the current loan; and

(iv) overdue repayment of funds by the SMEs to the Group.

Ongoing credit risk assessment
The Group implements a comprehensive process of tracking and supervision of turnover loan funds, which establishes an early warning mechanism for SMEs' corporate risks and change of circumstances that exposes the Group to further credit risks. The Group performs tracking and supervision in the following six stages of a turnover loan funds cycle: (i) contract signing; (ii) pre-loan implementation; (iii) fund transfer; (iv) loan disbursement; (v) fund return; and (vi) archives. The turnover loan funds business unit is responsible for maintaining close communication and contact with customers, closely monitoring the customer's business performance and providing feedback to the risk control department accordingly. The risk control department of the Group will monitor and flag unusual circumstances, such as customers having yet to repay turnover loan funds over a long period of time, and give timely warnings to the relevant personnel of the Group to closely monitor credit risks arising from such events.

Repayments by SMEs are closely monitored. For customers with overdue repayments or adverse changes, upon identification of the reasons for the overdue repayments by the specific customer, the Group will formulate a customer-specific response plan based on the customer's operating conditions, sources of funds for repayment and repayment willingness. The Group will also negotiate with such customer to increase its effective asset guarantees or determine a repayment plan, and implement recovery measures through legal proceedings if necessary.

Documents reviewed
In the process of credit risk assessment, the Group will obtain and review the basic information of the SMEs, such as the business licence, financial statements and etc. Meanwhile, the Group will obtain feedback of the application forms and business contact sheets from banks before the granting of loans.

(iii) Commercial factoring business

Grant of factoring
To manage the commercial factoring business unit, the Group has formulated a set of internal measures detailing the criteria and credit risk assessments for both the customer and the relevant debtor, specific provisions for review and approval, the process for transfer of account receivables and post-financing management. Credit risk control, credit limits and interest rates will be determined based on the results of the assessment.

In terms of the criteria and credit risk assessments for both the customer and the relevant debtor, the Group first divides customers and debtors into (i) manufacturing (or service-oriented) enterprises; and (ii) engineering project-oriented enterprises, and evaluates customers and debtors based on two different sets of criteria set for (i) and (ii) on year of establishment, credit records, social reputation, product quality and market conditions.

In terms of the risk assessment of account receivables, the Group focuses on the assessment of account receivables period, payment responsibilities, contractually agreed prices and assignment restrictions.

Credit risk assessment

The Group has designated personnel to perform review procedures on factoring and registrations of the assignment of account receivables. Analysis will be conducted to closely monitor the customer's business operations or any changes thereto, financial position, and solvency through fieldwork and due diligence. Credit history of the customer with the Group and other financial institutions will also be monitored.

The authenticity and legality of the transfer of account receivables and the recoverability of the account receivables will be assessed. In addition, the Group closely monitors and keeps track of any disputes between the customer and the debtor regarding the account receivables or deterioration of financial position of the debtor, and will take timely measures to counter such risks, such as ceasing to provide further factoring services to the customer, recovery of the amounts due from the customer.

If upon expiry of the financing, the customer fails to redeem the account receivables or if the debtor fails to repay the account receivables, various collection measures will be taken immediately, including registration of an extension of the account receivables, obtaining control over the account receivables and enforcing the Group's claims through legal means.

Documents reviewed

For commercial factoring, the Group collects information and documents in relation to the payment and the ledger management of account receivables. The Group will verify the account receivables and confirm the results of account receivables registration, and obtain and review the corporate information of the customer.

Financial reports of the customer will also be collected on a monthly or quarterly basis to review its balance sheet, operating income and profitability in an objective manner.

1.2 Liquidity and Financing Risk

Under policies and regulations, the Company's funds are mainly from its proprietary capital, shareholder loans and bank borrowings. According to the liquidity information of the Company in the year end, the Company is fully capable of repaying all bank borrowings and Suzhou Qian Dai borrowings.

Assets in the Company bearing no interest are mainly bad credit assets to be disposed of and will not have adverse effects on the liquidity. They will be realized gradually upon conclusion of litigations and completion of the asset disposal and will contribute to our business growth.

1.3 Market Risk

The Company regards market risk as one of the major risk it confronted.

As for the market interest rate, effective interest rate is reduced due to interest rate cut and larger money supply in the society, directly bringing down the interest rate of the Company in granting loans, which in turn has an impact on its performance. Although effective interest rate is reduced, the private sector lacks investment willingness due to its pessimistic forecast of the future and its investment growth decreases year by year, which indirectly undermines the profit attributable to loans granted to prime customers by the Company.

Since 2016, the Company has been working actively on improving its current situation, especially by actively developing ultra-short term loan business for enterprises and personal loan business, so as to minimize the impact brought by market risks. The ultra-short term loan business is designed as a channel for capital operation between banks and companies and is expected to generate considerable income free from market risks by closely communicating with banks and companies and making it convenient for companies to obtain loans and raise funds. The personal loan business, which mainly refers to real estate backed loans. Although the trading volume of the current real estate market has declined, the Company controls the ratio between the loan amount and the collateral value, and the risk is basically controllable.

1.4 Operational Risk

The Company has marketing department, risk management department and audit department, which are clearly separate and independent from each other without any hierarchical relationship.

The marketing department is responsible for the collection of customers' information and preparation of project reports. The risk management department reviews such project reports, issues risk opinion and formulates conditions precedent for granting loans, and reviews whether the customer fulfills such conditions precedent. The audit committee will review and audit the whole workflow.

The Company has operational departments independent of each other and its workflow has been practiced for years, which eliminates the risk arising from operation errors of its internal staffs and failure of systems.

Operation of the Company's products is generally standardized, and customer identification process and conditions for granting loans are well established and updated constantly in pace with environmental changes. The Company's risk management personnel are professionals with extensive risk management experience and can assess the customers' risks properly and make accurate judgments on whether conditions for granting loans are fulfilled. Employees of the Company's audit department are specialists with profound financing, financial and auditing experience and can evaluate and cope with the external risks identified in the whole workflow.

The Company has maintained a sound operational system to effectively deal with the external operational risks.

2. INTERNAL CONTROL AND AUDIT

The Company has set up audit department which is in charge of the development, operation and audit of its internal control system and reports to the Board and the audit committee.

From a macro perspective, the audit department makes judgments on the market and environment, conducts audit with respect to the nature and level of the risks set by the Company in achieving its strategic goals and issues independent opinion to and advise the audit committee and the Board.

The audit department will carry out regular and several ad-hoc audit and supervision on the risk management system and internal control system of the Company every year, and will inform the management and the Board of the operational status of such systems timely. During the Reporting Year, the audit department has reviewed the risk management and internal systems.

The audit department is responsible for the operation of the internal control system and will monitor and review the business process during or after the course of such business. It can get access to the documents of the business at any time to review whether the process is conducted in compliance with requirements and has the right to enquire all participants involved in such business, to prepare for an independent audit report. If any problem is identified in the business process by the audit department, such process must be suspended and individuals who misconduct will be held accountable.

Disclosure of inside information of the Company is subject to management of the Board office and lawyers. The inside information will be identified by the Board office and confirmed by lawyers, who will then make a draft announcement thereon and the disclosure of which will be approved by the Board. The audit committee will also monitor the disclosure of such inside information and will conduct independent audit and advise on mandatory disclosure and voluntary disclosure. Inside information must be kept strictly confidential until an announcement is published in accordance with the requirements of the Listing Rules.

In addition to the measures as disclosed above in this report, the Group has adopted the following key internal control measures with the aim to establish a comprehensive risk management system covering all employees, products and operational processes:

- segregation of credit assessment and loan disbursement process and establishment of a multi-tiered loan approval policy with a clear delineation of the responsibilities of different positions in the whole business process, which promotes employees' integrity and accountability across front, middle and back offices;

- promulgation of working rules of the credit approval committee, policies for product outline and product management policies which governs the loan approval process, such policies include, for instance, setting a maximum limit for each loan transaction;

- implementation of post-lending monitoring and management procedures to carry out ongoing monitoring and management of credit risks and the entire lending process, carrying out quarterly post-lending inspections and reviews and also specialized inspections when required from time to time during the loan period;

- establishment of a comprehensive management system with an early warning system to store all business information and documents relating to the loan transaction to ensure that every transaction is recorded in an accurate and timely manner and any defaulted loans are identified; and

- promulgation of management policies for defaulted liabilities and bad debts identification and write-offs such that write-offs can only be processed after the relevant liabilities have been identified as bad debts and compliant with write-offs management policy.

The management is required to assess the effectiveness of the risk management and internal control system annually and shall immediately report to the audit committee and the board on any deficiency of internal control identified and propose solutions.

For the financial year ended 31 December 2022, the Board believed that its risk management and internal control system was effective and adequate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is pleased to present the Environmental, Social and Governance Report for year ended 31 December 2022 (the "ESG Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") matters.

The Group puts the sustainable development of its business as the top priority of its long-term development goals, and incorporate climate-related issues and ESG elements into its long-term business strategic planning. As the most important leading role of the Group, the Board has the sole responsibility to oversee, manage and monitor the Group's environmental, social and governance issues and progress directly.

The Group has set short-term and long-term sustainable development vision and goals to achieve ongoing emission reduction according to governmental requirements of different countries and regions gradually. Relevant emission reduction targets and corresponding strategies are established and sustainable development factors have been incorporated into the Group's strategic planning, business model and other decision-making processes. The Board regularly monitors and reviews the effectiveness of management approach, including reviewing the Group's ESG performance and adjusting corresponding action plans.

Looking ahead, the Board will continue to review and monitor the ESG performance of the Group and provide material, reliable, consistent and comparable ESG information to its stakeholders for making contributions to create a better environment.

THE ESG GOVERNANCE STRUCTURE, APPROACH AND STRATEGY

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and targets and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We actively align our strategies with global trends and efforts by regularly setting targets for each category and evaluating our progress to ensure that we are continuously creating sustained value for our people and the planet. We are also committed to the ESG-related targets set and comprehensively considers these factors throughout our business activities. Our management also regularly tracks progress of ESG-related targets set by the Board and reports from time to time.

CREATING VALUE FOR OUR STAKEHOLDERS

Stakeholder engagement is a key to successful sustainability management. Engaging with our key stakeholders (including our Shareholders, business partners, employees, suppliers/subcontractors, customers, regulators and the community) on an ongoing basis provides an opportunity for the Group to listen to their concerns and build on common goals. This will in turn drive our business development initiatives in the right direction. The Board listens to the stakeholders' concerns, formulates the ESG strategy and supervises the implementation of ESG related policies, business practices and internal controls, the compliance with laws and regulations of the Company by reviewing the management's report on the Board meetings. By following through on the above measures, we believe that our overall sustainability management will not only make our operations sustainable and compliant with the relevant laws and regulations to safeguard the interests of our Shareholders, but will also enhance our transparency and accountability to our Shareholders by means of this ESG Report.

REPORTING BASIS

The ESG Report is prepared in accordance to the ESG Reporting Guide set out by Appendix 27 of the Listing Rules. All information in the ESG Report has been compiled according to the data and information obtained within the Group. The Group's internal control and formal review process are in place to ensure that all information is presented with accuracy and reliability. This Report has been reviewed and approved by the Board. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide. Looking forward, the Group will continue to optimize and improve the disclosure of key performance indicators ("KPIs") which are considered material by the Group.

During its preparation, the Group adheres to the reporting principles of materiality, quantitative, balance and consistency by:

Materiality: Identifying material issues through key ESG factors. The Group has not conducted stakeholder engagement, and the Board will engage with stakeholders through various communication channels in the future if necessary.

Quantitative: Presenting information in a quantitative way, where feasible.

Balance: Reporting information in an objective and unbiased manner to ensure it reflects both the achievements and the challenges faced by the Group.

Consistency: Using consistent measurement methods to enable meaningful comparisons of the Group's ESG performance.

REPORTING SCOPE

This ESG Report covers major subsidiaries of the Group in the PRC and Hong Kong with core business that principally engaged in providing diversified financial services to customers all across the PRC and Hong Kong.

The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

MATERIALITY ASSESSMENT

The Board shoulders the responsibility to evaluate, prioritise and manage material ESG-related issues. The Group has evaluated the materiality and importance of ESG aspects through the following steps:

Step 1: Identification — Industry benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of the ESG Reporting Guide (Appendix 27 of the Listing Rules).

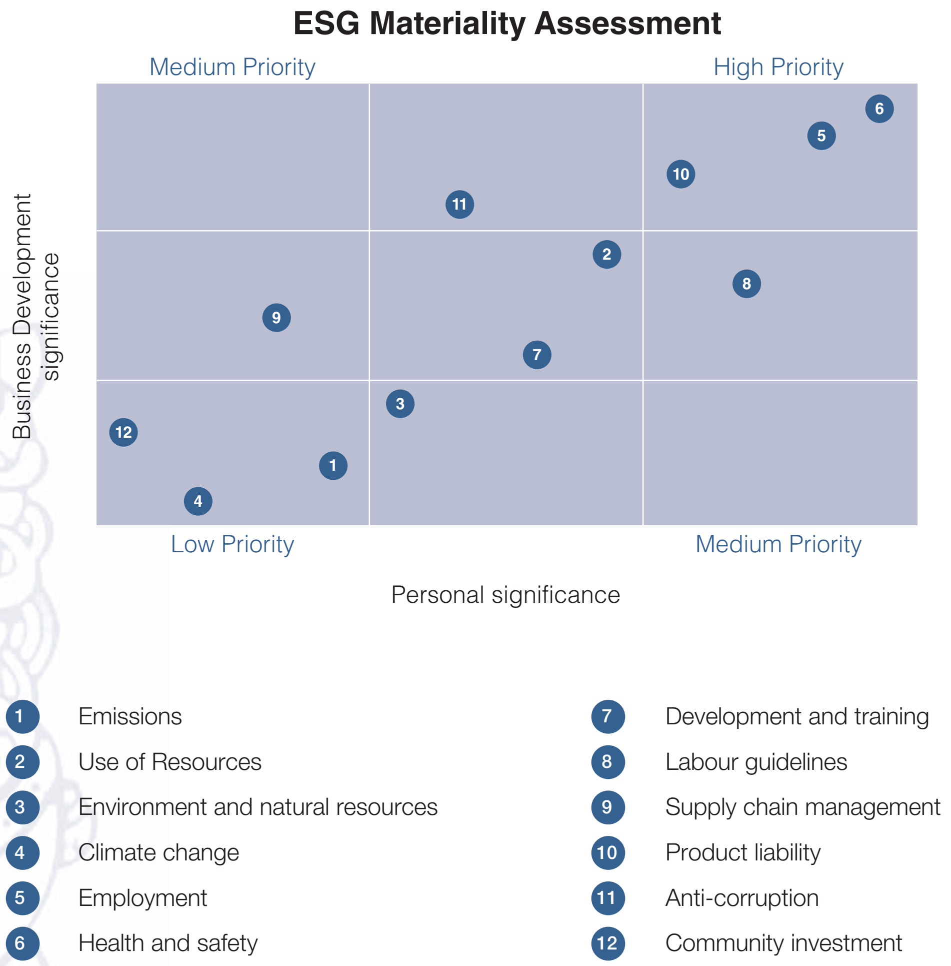
Step 2: Prioritisation — Stakeholder engagement

- The Group discussed with key stakeholders about key ESG areas identified above to ensure that all the key aspects were covered.

Step 3: Validation — Determining material issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured that all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

The following materiality matrix displays the relative importance of each issue to the sustainable development of the Group.



PROGRESS REVIEW

Last year, we have developed a set of targets in the environmental aspects of greenhouse gases, waste, electricity, water and paper to demonstrate and enhance our sustainability commitments. We are well-aware of the interdependent nature of sustainability and financial performance, and we are keen to bring about positive influence and induce changes in environmental awareness and habits to alleviate climate change.

The management regularly tracks and reports our progress on ESG targets set to the Board to ensure that our values are clearly demonstrated in our actions and efforts are directed towards the issues that require the most attention.

Aspect	Targets set in 2021	Progress in 2022
Greenhouse Gases	• By 2025, the average total greenhouse gas emissions per a full-time employee does not exceed 5.5 ton.	• The target was achieved in 2022.
Wastes	• By 2025, the average total non-hazardous waste generation per a full-time employee does not exceed 0.6 ton.	• The target was achieved in 2022.
Electricity	• By 2025, the average total energy consumption per a full-time employee does not exceed 5,000 kWh.	• The target was achieved in 2022.
	• By 2023, provide energy and resource saving training for employees.	• The target was achieved in 2022.
Water	• By 2025, the average water consumption per a full-time employee does not exceed 50 ton.	• The target was achieved in 2022.
	• By 2023, provide energy and resource saving training for employees.	• The target was achieved in 2022.
Paper	• By 2023, ensure that 80% of office paper is certified FSC or PEFC paper.	• The target was achieved in 2022.
	• In 2022, continue to use electronic contracts.	• The target was achieved in 2022.

1. ENVIRONMENTAL PROTECTION

The Company not only focuses on environmental protection in daily business, but also spreads the idea of environmental protection to customers, suppliers and other stakeholders. It is committed to diminishing harmful effects on the environment by day-to-day operations and actively getting involved in activities helpful to the environment. Meanwhile, the Company also undertakes social responsibility by virtue of investment and lending policies.

1.1 Emissions

Environmental Performance	Unit	2021	2022
Total waste gas emissions	ton	0	**0**
Total greenhouse gas emissions	ton	171.34	**595.03**
Direct emissions[1]	ton	83.53	**76.32**
Indirect emissions[2]	ton	87.81	**518.71**
Average total greenhouse gas emissions per a full-time employee	ton/full-time employee	1.22	**4.05**
Total greenhouse gas emissions/m^2	ton/m^2	0.04	**0.08**
Total sewage discharge to water	ton	0	**0**
Total sewage discharge to land	ton	0	**0**
Total hazardous waste generation	ton	0	**0.35**
Total non-hazardous waste generation	ton	35.93	**87.88**
General office wastes (recyclable)	ton	24.57	**45.12**
General office wastes (unrecyclable)	ton	11.03	**42.53**
Electronic products and devices	ton	0.33	**0.23**
Average total non-hazardous waste generation per a full-time employee	ton/full-time employee	0.25	**0.60**
Total non-hazardous waste generation/m^2	ton/m^2	0.01	**0.01**

Notes:

1. Direct emissions from vehicles that are owned by the Group

2. Indirect emissions from the generation of purchased electricity consumed by the Group and the transportation used for business trips

The above data include that of all business lines of the Company and figures are accurate to two decimal places.

Emissions of the Company are implemented and monitored on an ongoing basis by the General Affairs Department. The Company does not produce hazardous wastes as it does not deal with any industrial production activities. CO_2-dominated greenhouse gases produced by energy consumption and traffic and non-hazardous waste are the Company's major emissions.

Considering the impact of our move into Zhonghui Financial Building, the target regarding greenhouse gas emissions of the Company is that the average total greenhouse gas emissions per a full-time employee does not exceed 5.5 ton by 2025. To this end, the Company has set preliminary directional targets in terms of reducing greenhouse gas emissions. The Company has actively developed and executed environmental policies, including using less energy-consuming LED lights in specified areas and adopting high-speed rails as a main business tool to minimize the use of autos and airplanes for they consume more energy. As the Company moved into Zhonghui Financial Building since March 2022, the total energy consumption increased , leading to an increase in the greenhouse gas emissions. In the future, we will set more specific quantitative environmental goals. However, the KPI in this regard was met. The target set in 2022 is to maintain the average total greenhouse gas emissions per a full-time employee in 2023 compared with 2022.

The major types of non-hazardous waste generated by our offices are paper, cardboard, office furniture and equipment, as well as domestic waste. Considering the impact of our move into Zhonghui Financial Building, the target regarding wastes of the Company is that the average total non-hazardous waste generation per a full-time employee does not exceed 0.6 ton by 2025. To this end, we installed designated recycling bins to collect relevant waste, as well as several designated collection areas to receive waste containing confidential information. When electronic products and devices' lifespan is exhausted, they are disposed by professional harmless electronic products and equipment recyclers entrusted. The Company views environment as an important factor, evaluates impacts of clients on the environment, and uses approval principles of strict admittance on heavy energy-consuming and highly polluted industries. It is customary for the Company to organize tree-planting activities. The Company calls off dishes on endangered species in banquet activities and promote environmental idea in communities to advance the transmission of low-carbon life and recycling. As the Company moved into Zhonghui Financial Building since March 2022, the non-hazardous waste such as office furniture and kitchen waste increased. However, the KPI in this regard was met. The target set in 2022 is to maintain the average total non-hazardous waste generation per a full-time employee in 2023 compared with 2022.

As we do not run any factories, the environmental protection related law and regulations in China do not apply to our operations. During the Reporting Year, the Group was not involved in any matters that violate the environment-related laws and regulations.

1.2 Use of Resources

Environmental Performance	Unit	2021	2022
Total energy consumption	kWh	154,002	**587,939**
Electricity	kWh	154,002	**587,939**
Average total energy consumption per a full-time employee	kWh	1,092.21	**3,999.59**
Total energy consumption/m^2	kWh/m^2	33.33	**83.50**
Total water consumption	mt	573	**4,721.85**
Total water consumption per a full-time employee	mt/full-time employee	4.06	**32.12**
Total consumption of other raw material		1.43	**1.43**
Total paper consumption	ton	1.43	**1.43**

Energy consumption of the Company is implemented and monitored on an ongoing basis by the General Affairs Department.

Considering the impact of our move into Zhonghui Financial Building, the target regarding energy consumption of the Company is that the average total energy consumption per a full-time employee does not exceed 5,000 kWh by 2025 and the Company provides energy and resource saving training for employees by 2023. In order to reduce energy consumption, the Company piloted its office areas with light sources being decreased in quantity, weakened in intensity and lowered in energy consumption as well as imposing more strict use standard on both centralize air conditioners and high energy-consuming appliances. As the Company moved into Zhonghui Financial Building since March 2022, the office area increased significantly, and the number of centralize air conditioners, elevators and other high energy-consuming appliances increased, leading to a significant increase in the total energy consumption. However, the KPI in this regard was met. The target set in 2022 is to maintain the average total energy consumption per a full-time employee in 2023 compared with 2022.

Considering the impact of our move into Zhonghui Financial Building, the target regarding water consumption of the Company is that the average water consumption per a full-time employee does not exceed 50 ton by 2025 and the Company provides energy and resource saving training for employees by 2023. Our operation activities do not involve massive water usage. Our water consumption is mainly from daily office and life activities. Our water source is municipal water supply and we do not face any problem or risk in accessing sufficient water source. In order to reduce water consumption, the Company installed water-saving devices in office areas and achieved some effects. As the Company moved into Zhonghui Financial Building since March 2022, the water demand for greening maintenance and canteen increased significantly, leading to a significant increase in the total water consumption. However, the KPI in this regard was met. The target set in 2022 is to maintain the average water consumption per a full-time employee in 2023 compared with 2022.

The target regarding paper consumption of the Company is to use more than 80% of office paper certified by FSC or PEFC by 2023 and continue to use electronic contracts in 2022. The Company used paper passing the authentication of FSC and specified that only wood pulp and/or 100% recycled paper with clear sources and not from high risk countries can be used. During the Reporting Year, 90% of office paper is certified FSC paper. It also promoted informationize office and paperless office, contributing to a basic flat as compared to last year in total paper consumption. The KPI in this regard was met. The target set in 2022 is to maintain 90% of office paper certified by FSC in 2023.

1.3 The Environment and Natural Resources

The Company raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Company's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emissions" and "Use of Resource", the Company strives to minimise the impacts to the environment and natural resources. The principal business activities of the Company do not have a significant impact on the environment and natural resources during the Reporting Year.

1.4 Climate Change

Climate change is among the most pressing global challenges of our time. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences.

The industry in which the Group operates is less affected by climate change. In response to climate change, the Group actively implements measures such as energy conservation and emission reduction, and pursues green development.

Though climate change and extreme weather conditions do not directly impose significant threat to the Company's business operations, the effects of global climate change harm the wellbeing and stability of countries and people on earth. However, we will continue to monitor the climate-related risks and implement relevant measures to minimize the potential impact of climate change.

2. SOCIETY, OPERATING PRACTICES AND COMMUNITY

The Company is socially responsible for employees and communities. It offers employees training and career development planning in a secure and good work environment. The Company respects intellectual property and customer privacy and has established and operated robust risk management system and internal monitoring system. Insisting on the social idea of not being evil, the Company seeks for harmony with the society through practical actions.

2.1 Employment and Labor Information

The Company ensures legitimate rights and interests of employees (include employment and dismissal) according to the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and relevant provisions. With a complete compensation system and assessment system, it provides career planning for each employee and career promotion channels for employees who meet requirements of assessment. The Company has established the employee recruitment and promotion systems with reference to existing guidelines within or beyond this industry to offer employees equal opportunities and other rewards and benefits not below the industry average. The Company implements 8-hour working system and all employees are entitled to statutory holidays and paid annual leave. The Company resolutely opposes discrimination and guarantees an equal job environment open to moderate diversification.

Employment and labor information of the Company are implemented and monitored on an ongoing basis by the Human Resources Departments. The target of the Company is no incident of non-compliance with the relevant laws and regulations relating to employment and labour practices that have a significant impact on the Company.

During the Reporting Year, there was no incident of non-compliance with the relevant laws and regulations relating to employment and labour practices that have a significant impact on the Company and the results were satisfactory.

Below is a detailed breakdown of our employees by gender, employment category, age group, and location as at 31 December 2022:

2022 Employee Information

	2022	
	Number of staff	% of total
Gender		
Male	80	54.4
Female	67	45.6
Total	**147**	**100.0**
Employment category		
Full time	147	100.0
Part time	0	0
Total	**147**	**100.0**
Age group		
20–35	77	52.4
36–45	40	27.2
46–55	30	20.4
56 or over	0	0
Total	**147**	**100.0**
Location		
China mainland	147	100.0
Total	**147**	**100.0**

Below is a detailed breakdown of turnover rate of our employees by gender, age group and location as at 31 December 2022. They are defined by the categories of employees leaving employment divided by the total number of employees in those specified categories.

	2022	
	Number of staff	% of total
Gender		
Male	13	72.2
Female	5	27.8
Total	18	100.0
Employment category		
Full time	18	100.0
Part time	0	0
Total	18	100.0
Age		
20–35	11	61.1
36–45	5	27.8
46–55	2	11.1
56 or over	0	0
Total	18	100.0
Location		
China mainland	18	100.0
Total	18	100.0

No target-setting in respect of the employee turnover of the Company is considered necessary for the KPI purpose as employee turnover is often driven by the employees, which is something beyond the control of the Company, and the turnover rate of our employees is better than the industry average rate.

2.2 Health and Safety

The Company neither produces nor sells any product that could cause harm to the human body nor operates in environment that may cause harm. In compliance with the Environmental Protection Law, Law on the Prevention and Control of Occupational Diseases and the Fire Control Law and relevant provisions, the Company offers employees a safe and good work environment and adequate security measures to protect employees from occupational hazards.

To ensure the occupational health and safety of employees, the Company provides free medical examinations for all employees every year. It also organizes sports like long-distance running and badminton to ensure that the employees are in good health.

Health and security of the Company are implemented and monitored on an ongoing basis by the Human Resources and Administration Departments. The target of the Company is no fatal accident, major work-related fatalities and work injuries, lost working days due to work injury.

During the Reporting Year, the Company strictly complied with the aforementioned laws and regulations, and had no material violations of any health and safety laws and regulations. To the best of our directors' knowledge, there was no official record of any fatal accident, major work-related fatalities and work injuries, lost working days due to work injury in the Reporting Year, and there was no record of work-related fatality for at least three consecutive reporting years. The results were satisfactory.

2.3 Development and Training

The Company conducts regular and irregular learning and training for all or some employees to improve their knowledge and skills. In 2022, the training rate for all employees reached 100%.

Employee Training Information

Classification		Average training hours per employee	% of employees trained
Gender	Male	13.0	100%
	Female	12.9	100%
Employee level	Senior management	17.4	100%
	Middle management	16.8	100%
	Junior employee	22.7	100%

Employee training information of the Company is implemented and monitored on an ongoing basis by the Human Resources Departments. The target of the Company is to ensure that the average training hours per employee exceeds 12 hours per year. As at 31 December 2022, the average training hours per employee are 12.95 hours and the results were satisfactory.

The Company provides business etiquette training for all employees; business training and risk management training for the business department and the risk department; specialized training courses as well as learning, training and company visits on a quarterly basis for employees under 35; training of new types of business like art finance and equity investment for senior management.

Meanwhile, the Company has a training and management plan in place for our staff for the sake of strengthening their comprehensive capabilities and building a studious corporate culture. The aforesaid plan includes public course, professional course, management course and team experience course.

2.4 Labor Standard

In compliance with the Labor Law of the PRC and relevant provisions, the Company does not allow child labor nor forced labor. Employees need to have some knowledge reserves and professional skills due to the threshold and professional nature of this industry.

The Company validates identities of applicants to preclude the possibility of child labor. The code of operation specifies zero tolerance for forced labor and clearly provides the reporting contact information of the Company and regulatory department. The Company also makes interviews with employees from time to time by the HR department to ensure compliance with regulations.

Labor standard of the Company is implemented and monitored on an ongoing basis by the Human Resources Departments. The target of the Company is no material non-compliance incidents in relation to the Labor Law of the PRC.

During the Reporting Year, the Company had no material non-compliance incidents in relation to the Labor Law of the PRC and the results were satisfactory.

2.5 Supply Chain Management

The Company works with a range of suppliers across the Company, spanning areas including but not limited to information technology, legal, marketing, agents, consultants and office equipment suppliers. During the Reporting Year, the Company engaged with 33 suppliers in Hong Kong and Mainland China.

Supply chain management of the Company is implemented and monitored on an ongoing basis by the Administration Departments. No target-setting in respect of the geographical region and number of suppliers is considered necessary for the KPI purpose as it is inappropriate for the Group to set a target for the number and location of its suppliers, which should be based on actual business needs from time to time.

To continuously improve service quality, the Company annually evaluate the performance of suppliers, including but not limited to service efficiency, business practices and data processing. In the process of engaging and evaluating suppliers, the company strictly controls the process, adopts the principle of multiple comparison, and selects the best. In addition, we value the views of our customers and the public on the quality of our services and conduct regular customer and public opinion surveys. During the Reporting Year, such practices are adopted on all suppliers of the Group.

To understand and manage associated risks in the supply chain, a comprehensive supplier risk assessment was developed during the Reporting Year. The risk assessment identifies potential environmental and social risks that may impact the Group, as well as the likelihood and severity of these risks. These environmental and social risks include but are not limited to financial, operational, information technology and cyber security risks.

To promote green products, the Company strives to procure office stationery and furniture from suppliers who are certified with relevant local and international environmental certification standards. In addition, for the past few years, the Company used paper passing the authentication of FSC and specified that only wood pulp and/or 100% recycled paper with clear sources and not from high risk countries can be used. In regard to promoting environmentally friendly technology, the company is committed to promoting the electronic contract to replace the traditional paper contract, to achieve the effect of energy conservation and environmental protection.

During the Reporting Year, the Company is not aware of any major actual and potential negative impacts caused by any suppliers due to business ethics, environmental protection and improper labor measures.

2.6 Product Responsibility

In compliance with the General Principles of the Civil Law, Product Quality Law and the Law on Protection of the Rights and Interests of Consumers and relevant provisions, the Company offers financial services to the public and promotes business by briefing services it renders without any falsification or fraud. Attaching great importance to intellectual property and privacy information protection, the Company has developed multiple security measures to ensure that there is no act of selling or disclosing the customer information. It will never acquire or use unauthorized customer information through illegal channels.

The Company pays close attention to customer complaints and feedback on the financial services provided by the Company, and takes the business management departments under the two major business divisions as the responsible department to provide public contact information to receive customer complaints and feedback. During the Reporting Year, the Company did not receive any complaints from customers regarding services.

The Company has set up the information isolation system that only those with authorization can inquire about the customer data stored in the Company. The Company regularly reviews the history records on a regular basis to ensure the procedural compliance.

During the Reporting Year, the Group complied with all relevant laws and regulations having significant impacts on the Group relating to product responsibility and did not involve in any non-compliance matters.

In order to maximize the protection of our intellectual property, the Company has registered trademarks in certain countries and regions. The Company understands and complies with the intellectual property ("IP") rights regulations. During the Reporting Year, there was no material infringement of the IP rights and the Company is confident that all reasonable measures have been taken to prevent any infringement of its IP rights and the IP rights of third parties. We retain the legal ownership of all designs, inventions or ideas developed by our employees during the course of their employment.

Subject to compliance with the relevant privacy protection regime, the Group will strive to protect and monitor the privacy of customer information. Any organizations or personnel are prohibited to access customer information without relevant approval by the Group.

Since the Company offers financial services to the public, it does not involve recalls of products sold or shipped for safety and health reasons, and quality inspection processes and product recall procedures.

2.7 Anti-Corruption

In compliance with the Criminal Law of the People's Republic of China and relevant provisions, the Company has formed strict monitoring systems and reporting procedures to prevent bribery, extortion, fraud and money laundering and other criminal acts.

To ensure operation efficiency and employees' development in a fair and honest working environment, the Company has formulated whistleblowing policy in the corporate governance manual in order to promote business ethics and integrity so as to avoid suspected corruption, extortion and money laundering channel such as by letter and email for employees to report suspected corruption are provided. If there are any suspected case related to corruption, employees are encouraged to report the related cases through the mentioned channels. All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees.

Familiarizing directors and employees with all aspects of anti-corruption and helping them identify and mitigate associated risks is integral. To strengthen the relevant management on the prevention, implementation and oversight of anti-corruption measures in the Company, during the Reporting Year, the Company organized trainings on anti-corruption for directors and staff, formulated an integrity and self-discipline management system, and all employees signed personal integrity and self-discipline commitments.

The Company has been in strict compliance with law and regulation related to anti-corruption. During the Reporting Year, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Company or its employees.

2.8 Community Investment

The Company actively organizes and encourages employees to get involved in community activities and is committed in raising awareness of fair labour rights and fair market. The Company also places anti-pandemic and financial literacy at the core of its community investment strategy. In 2022, it organized employees to give lectures about the prevention of financial risks on weekends for several times to cultivate the residents' awareness and discrimination on illegal finance; responded the government's appeal and organized the employees to participate in anti- pandemic support, for several times; stopped granting loans and providing financial services to enterprises that may endanger the community environment, which has forced them to improve their production process.

Community investment of the Company are implemented and monitored on an ongoing basis by the Administration Departments. No target-setting in respect of the Company's corporate social responsibilities is considered necessary for the KPI purpose as contributions to the community are gestures of goodwill extended by the Company as part of its social responsibilities rather than business targets.

During the Reporting Year, the Company organized employees to participate in voluntary anti-pandemic support for a total of 781 hours, and gave 10 financial literacy lectures for community residents.

As an enterprise bearing environmental responsibility and social responsibility, the Company is willing to invest energy and resources in living harmoniously with the environment and the society.

羅兵咸永道

To the Shareholders of China Huirong Financial Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Huirong Financial Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 105 to 194, comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Fair value of investment property classified as level 3
- Measurement of expected credit loss for loans to customers

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value of investment property classified as level 3	
Refer to Note 2.8, 4.3, 11, 25 to the consolidated financial statements. The Group's investment property classified as level 3 amounted to RMB191 million as at 31 December 2022 in the Group's consolidated statement of financial position, with a corresponding fair value loss of RMB11 million recognized in the consolidated statement of comprehensive income for the year ended 31 December 2022. As at 31 December 2022, the management determined the fair value of its investment property by discounting the estimated future rental proceeds. The rental proceeds in future periods were estimated based on current rentals of the investment property adjusted by expected vacancy rate and rental growth rate. The significant unobservable inputs involved in the valuation were discount rate, expected vacancy rate and rental growth rate. As the valuation of investment property classified as level 3 involved significant judgments and assumptions in determining these significant unobservable inputs and the amounts were significant to the Group's consolidated financial statements, we determined this as a key audit matter.	We obtained an understanding of the management's assessment process of measurement of fair value of investment property classified as level 3 and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, uncertainty and susceptibility to misstatement due to management bias and other fraud risk factors. We understood and evaluated the internal controls relating to the valuation of level 3 investment property. We performed the following substantive procedures relating to the valuation of level 3 investment property: (1) assessed the appropriateness of the valuation approach adopted by management with the support from our internal valuation expert; (2) examined the available market information from independent external sources and the rental contracts signed with lessees to assess the appropriateness of the expected rentals used by the management; (3) independently evaluated the reasonableness and appropriateness of the significant unobservable inputs including discount rate, expected vacancy rate and rental growth rate used by the management with the support from our internal valuation expert; (4) tested the mathematical accuracy of calculation of fair value for investment property. Based on our procedures performed, the model, the key judgments and assumptions applied in determining the fair value of investment property by the management were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans to customers

Refer to Note 2.11, 3.1(a), 4.1(a), 12, 31 to the consolidated financial statements.

As at 31 December 2022, the Group's gross loans to customers amounted to RMB2,823 million, and ECL allowances of RMB716 million were recognized in the Group's consolidated statement of financial position. The ECLs on loans to customers recognized in the Group's consolidated statement of comprehensive income for the year ended 31 December 2022 amounted to RMB76 million.

The Group assesses whether the credit risk of loans to customers has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL allowances. For loans to customers in stages 1 and 2, the management assessed ECL allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default and exposure at default. For loans to customers in stage 3, the management used the discounted cash flow model to calculate ECL allowances taking into consideration the forward-looking factors.

The measurement model of ECLs involved significant management judgments and assumptions, primarily including the following:

(1) determination of relevant key models and parameters;

(2) criteria for determining whether or not there was a significant increase in credit risk and definition of default or credit impairment;

(3) estimated future cash flows for loans to customers that the discounted cash flow model is used to calculate ECL allowances;

(4) economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

We obtained an understanding of the management's assessment process of measurement of ECL for loans to customers and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, uncertainty and susceptibility to misstatement due to management bias and other fraud risk factors.

We understood, evaluated and tested the internal controls relating to the measurement of ECLs for loans to customers which comprised:

(1) governance over ECL models, including the selection, approval and application of modelling methodology; and the internal processes relating to the on-going monitoring and enhancements of the models;

(2) assessment and approval of significant management judgments and assumptions, including parameters estimation, the criteria of significant increase in credit risk, the definition of default and credit-impairment, and use of economic variables and relative weightings for forward-looking scenarios;

(3) internal controls over the accuracy and completeness of key inputs used by the models;

(4) internal controls relating to estimating future cash flows and calculating the present values of such cash flows for loans to customers classified in stage 3;

We analyzed the risk characteristics of asset portfolios and assessed the reasonableness of segmentation.

We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also evaluated management's back-testing of the actual defaults against the expected defaults generated from the model as at the end of previous period. We evaluated the reasonableness of loss given default by analysing the Group's historical loss experiences taking into consideration the forward-looking factors.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit loss ("ECL") for loans to customers (Continued)	
The Group established related controls for the measurement of ECLs. Management applied significant judgments in measuring its ECL which involved models with a number of assumptions, parameters and data inputs; and the ECL amounts involved were significant. In view of these reasons, we included this as a key audit matter.	We examined data inputs to the ECL models such as credit exposures and maturity dates for selected samples, including the historical data and the data at the measurement date, by checking against supporting documents such as loan contracts and borrowers' basic information. We assessed the appropriateness of management's criteria of the three stages classification of loan to customers, taking into consideration the Group's credit risk profile and risk management practices, and selected samples to test the management's classification into the three stages by examining the financial and non-financial information of the borrowers, assessing the overdue status of loan to customers by comparing to maturity dates specified in loan contracts, and considering other relevant external evidences. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit asset portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we assessed the appropriateness of economic scenarios by performing sensitivity analysis and their weightings employed by performing historical back-testing. For loans to customers in stage 3 that the discounted cash flow model is used to calculate ECL allowances, we examined, on a sample basis, forecasted future cash flows taking into consideration the forward-looking factors used by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information in supporting the computation of ECL allowances. Based on our procedures performed, the models, key parameters, significant judgements, and assumptions adopted by the management and the measurement results were considered acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Ma Yui Man.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2022**	2021
Interest income	*6*	**258,848**	269,276
Sales of goods	*7*	**362,766**	93,108
Consultancy fee income	*8*	**1,377**	601
Commission fee income	*9*	**1,483**	4,840
Operating income		**624,474**	367,825
Interest expense	*10*	**(31,877)**	(25,577)
Costs of sales	*7*	**(359,804)**	(92,362)
Commission fee expense	*9*	**—**	(2,712)
Operating cost		**(391,681)**	(120,651)
Net investment (losses)/gains	*11*	**(7,255)**	117,310
Credit impairment losses	*12*	**(74,712)**	(153,849)
Net gains on derecognition of financial assets measured at amortized cost	*13*	**3,787**	534
Other operating income	*14*	**1,791**	1,042
Net operating income		**156,404**	212,211
General and administrative expenses	*15*	**(73,818)**	(62,906)
Other gains/(losses), net	*17*	**3,166**	(2,792)
Operating profit		**85,752**	146,513
Share of net profit of associates accounted for using the equity method	*24*	**1,716**	—
Profit before income tax		**87,468**	146,513
Income tax expense	*19*	**(27,120)**	(45,799)
Profit for the year		**60,348**	100,714
Profit for the year is attributable to:			
— Owners of the Company		**41,057**	87,169
— Non-controlling interests		**19,291**	13,545
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	*20*	**0.038**	0.080
— Diluted earnings per share	*20*	**0.038**	0.080
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**60,348**	100,714
Total comprehensive income for the year is attributable to:			
— Owners of the Company		**41,057**	87,169
— Non-controlling interests		**19,291**	13,545

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	*22*	**54,682**	53,274
Right-of-use assets	*23*	**17,690**	20,903
Investments accounted for using the equity method	*24*	**26,005**	17,475
Investment properties	*25*	**192,969**	203,698
Intangible assets	*26*	**1,127**	2,238
Loans to customers	*31*	**258,969**	202,993
Deferred income tax assets	*27(a)*	**85,555**	89,882
Total non-current assets		**636,997**	590,463
Current assets			
Inventories	*29*	**2,163**	17,707
Other current assets	*30*	**66,127**	39,545
Commission fee receivables		**3**	6
Loans to customers	*31*	**1,848,086**	1,612,084
Financial assets at fair value through profit or loss	*32*	**122,631**	93,043
Cash at bank and cash on hand	*33*	**309,139**	483,347
Total current assets		**2,348,149**	2,245,732
Total assets		**2,985,146**	2,836,195
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*34*	**8,662**	8,662
Share premium	*35*	**604,478**	604,478
Other reserves	*35*	**593,122**	593,122
Retained earnings	*36*	**666,325**	662,597
		1,872,587	1,868,859
Non-controlling interests		**238,743**	224,875
Total equity		**2,111,330**	2,093,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2022	2021
LIABILITIES			
Non-current liabilities			
Lease liabilities	*23*	**2,597**	4,540
Borrowings	*38*	**197,000**	89,380
Deferred income tax liabilities	*27(b)*	**18,508**	22,427
Total non-current liabilities		**218,105**	116,347
Current liabilities			
Other current liabilities	*37*	**90,835**	83,357
Current income tax liabilities		**28,127**	30,253
Amounts due to related parties	*42(c)*	**633**	633
Dividends payable		**1,261**	2,678
Lease liabilities	*23*	**2,627**	2,913
Borrowings	*38*	**532,228**	506,280
Total current liabilities		**655,711**	626,114
Total liabilities		**873,816**	742,461
Total equity and liabilities		**2,985,146**	2,836,195

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 28 March 2023.

Wu Min	**Zhang Changsong**	**Wang Fei**
Executive Director	*Chief Financial Officer*	*Finance Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

		Attributable to the owners of the Company						
	Note	Share Capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling Interests	Total equity
Balance at 31 December 2020		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898
Profit for the year		—	—	—	87,169	87,169	13,545	100,714
Total comprehensive income for the year		—	—	—	87,169	87,169	13,545	100,714
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	*35(a)*	21	1,750	(451)	—	1,320	—	1,320
Non-controlling interests on acquisition of subsidiary		—	—	—	—	—	26,250	26,250
Capital movement of non-controlling interests		—	—	(201)	—	(201)	35,201	35,000
Dividends declared or paid		—	—	—	—	—	(11,448)	(11,448)
Total transactions with owners in their capacity as owners		21	1,750	(652)	—	1,119	50,003	51,122
Balance at 31 December 2021		8,662	604,478	593,122	662,597	1,868,859	224,875	2,093,734

For the year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to the owners of the Company					Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 31 December 2021		8,662	604,478	593,122	662,597	1,868,859	224,875	2,093,734
Profit for the year		–	–	–	41,057	41,057	19,291	60,348
Total comprehensive income for the year		–	–	–	41,057	41,057	19,291	60,348
Transactions with owners in their capacity as owners								
Contributions from non-controlling interests on establishment of subsidiaries	*18(c)*	–	–	–	–	–	3,000	3,000
Capital movement of non-controlling interests	*18(a)*	–	–	–	–	–	3,200	3,200
Dividends declared or paid	*18(e)*	–	–	–	(37,329)	(37,329)	(11,623)	(48,952)
Total transactions with owners in their capacity as owners		–	–	–	(37,329)	(37,329)	(5,423)	(42,752)
Balance at 31 December 2022		8,662	604,478	593,122	666,325	1,872,587	238,743	2,111,330

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Cash (used in)/generated from operating activities	*39(a)*	**(47,154)**	135,577
Interest received from bank deposits		**4,340**	5,019
Interest paid		**(30,840)**	(25,067)
Income tax paid		**(28,838)**	(17,070)
Net cash (outflow)/inflow from operating activities		**(102,492)**	98,459
Cash flows from investing activities			
Payments for acquisition of an affiliate		**(8,530)**	(15,975)
Payments for property, plant and equipment		**(9,445)**	(28,870)
Payments for intangible asset		**(101)**	(78)
Payments for investment property		**(9,828)**	(30,746)
Dividends from associates		**1,716**	—
Net cash outflow from investing activities		**(26,188)**	(75,669)
Cash flows from financing activities			
Proceeds from borrowings		**1,067,120**	712,510
Proceeds from issuance of shares under share-based payments		**—**	1,320
Repayments of borrowings		**(934,300)**	(652,349)
Repayments of lease liabilities		**(3,074)**	(4,281)
Capital contributions from minority interests		**10,200**	61,250
Dividends paid to owners of the Company		**(37,329)**	—
Dividends paid to non-controlling interests		**(13,040)**	(10,032)
Net cash inflow from financing activities		**89,577**	108,418
Net (decrease)/increase in cash and cash equivalents		**(39,103)**	131,208
Cash and cash equivalents at beginning of year		**234,781**	103,919
Effects of exchange rate changes on cash and cash equivalents		**1,127**	(346)
Cash and cash equivalents at end of year	*33*	**196,805**	234,781

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the "Company") was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands. The Company is ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the "Ultimate Shareholders").

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in lending services through granting secured and unsecured loans to customers in the People's Republic of China (the "PRC").

On 28 October 2013, the Company's shares were listed on The Stock Exchange of Hong Kong Limited.

The detailed information of the subsidiaries of the Company can be found in Note 18.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 28 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of China Huirong Financial Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

(b) Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and investment properties which are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group

The Group has applied the following amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16*
- *Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37*
- *Annual Improvements to HKFRS Standards 2018–2020, and*
- *Reference to the Conceptual Framework — Amendments to HKFRS 3.*
- *Covid-19 Related Rent Concessions beyond 30 June 2021—Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)")*
- *Amendments to AG 5 Merger Accounting for Common Control Combinations*

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(d) New standards and interpretations relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2022 by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including a Structured Entity ("SE")) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(a) Subsidiaries (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(i) Subsidiary from contractual arrangements

In December 2011, the Company's wholly owned subsidiary, Suzhou Huifang Tongda Information Technology Company Limited (蘇州匯方同達信息科技有限公司) ("Huifang Tongda"), entered into a series of contractual agreements with Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop"), Wuzhong Pawnshop's direct owners namely Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye")and Suzhou New District Hengyue Management Consulting Co., Ltd. (蘇州新區恒悦管理諮詢有限公司) ("Hengyue Consulting"), and their respective owners, which enables the Company to:

- exercise effective control over Wuzhong Pawnshop;
- exercise owners' voting rights of Wuzhong Jiaye and Hengyue Consulting during the general meetings of Wuzhong Pawnshop;
- receive a majority of the economic benefits of Wuzhong Pawnshop through service fees in consideration for the management and consulting services provided by Huifang Tongda;
- receive the residual economic benefits of Wuzhong Pawnshop by exercising an exclusive option to purchase the entire equity interest in Wuzhong Pawnshop when and to the extent permitted under PRC laws; and
- obtain a pledge over the entire equity interest of Wuzhong Jiaye and Hengyue from their respective owners.

Since both the Company and Wuzhong Pawnshop were then owned by the same Ultimate Shareholders, the above reorganisation of Wuzhong Pawnshop (the "Reorganisation") was accounted for using the accounting principle similar to that of a reverse acquisition.

The Company does not have any equity interest in Wuzhong Pawnshop. However, as a result of the Reorganisation, the Group controls Wuzhong Pawnshop and is considered to be the primary beneficiary of the results, assets and liabilities of Wuzhong Pawnshop. Consequently, the Company treats Wuzhong Pawnshop as an indirect subsidiary under HKFRS. The Company has included the financial position and results of Wuzhong Pawnshop in its consolidated financial statements.

(ii) Other subsidiaries

Except for the Reorganisation above, the Group applies the acquisition method to account for business combinations.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in other reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group's reporting segments are decided based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to administration of the management. Operating segments meeting the same qualifications are allocated as one reporting segment, providing independent disclosures.

The purpose of segment reporting is to assist the chief operating decision-maker in resource allocation and performance assessment of each operating segment. The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

2.6 Foreign currency translation

(a) Functional and presentation currency

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 the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within interest expense. All other foreign exchange gains and losses are presented in consolidated statement of comprehensive income on a net basis within other (losses)/gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency 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 date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	25–40 years
Vehicles	5 years
Electronics and other equipment	5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as set out in Note 2.10.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of property and equipment net of its carrying amount and related taxes and expenses is recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. A right-of-use asset relating to property which is held to earn rentals and/or for capital appreciation is also an investment property.

Investment properties are initially measured at cost plus transaction costs. In the case of a self-constructed investment property, the Group initially accounts for it at cost model before the construction is completed. At the completion date, any difference between the fair value of the property and its previous carrying amount is recognized in profit or loss.

The Group uses the fair value model for subsequent measurement of investment properties since their fair value can be measured reliably on a continuous basis. At each reporting date, the Group re-measures the fair value of investment properties and any gain or loss arising from a change in the fair value is recognized in profit or loss for that period.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss.

2.9 Intangible assets

Intangible assets comprise of computer software and licenses, which are initially recognized at cost. The cost less estimated residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Computer software	10 years
Licenses	5 years

2.10 Impairment of non-financial assets

Non-financial assets that have a definite useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowances.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any ECL allowances) or to the amortized cost of a financial liability. The calculation does not consider ECLs and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

(b) Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the ECL allowances).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

Measurement methods (Continued)

Initial recognition and measurement (Continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

2.11.1 Financial assets

(i) Classification and subsequent measurement

The Group has classified its financial assets in the following measurement categories:

- Amortized cost (AC);
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans to customers, term deposits with banks and other current assets (excluding repossessed assets).

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The cash flow characteristics of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.1 Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowances recognized and measured as described in Note 4.1(a)(ii). Interest income from these financial assets is included in "interest income" using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the consolidated statement of comprehensive income within "net investment (losses)/gains" in the period in which it arises.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.1 Financial assets (Continued)

(i) Classification and subsequent measurement (Continued)

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity instruments at FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Net investment (losses)/gains" line in the consolidated statement of comprehensive income.

(ii) Impairment

The Group assesses on a forward-looking basis the ECL allowances associated with its debt instrument assets carried at amortized cost and with the exposure arising from term deposits with banks and other financial assets. The Group recognizes an ECL allowance for such losses at each reporting date. The measurement of ECL allowances reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.1 Financial assets (Continued)

(iii) Derecognition other than modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach.

Under this approach, the Group continues to recognize the transferred asset to the extent of its continuing involvement and recognize the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortized cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortized cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets and liabilities (Continued)

2.11.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior year, financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognized for the consideration received for the transfer. In subsequent years, the Group recognizes any expense incurred on the financial liability.

- Financial guarantee contracts.

(ii) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

(iii) Interest expenses

Interest expenses are calculated by applying the effective interest rate to the gross carrying amount of financial liabilities and are expensed in the year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.13 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments, and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2.14 Inventories

The Group's inventories are tradable commodities arising from its supply chain businesses, which are initially measured at cost. Costs are assigned to individual items of inventory on the basis of weighted average costs method, including purchase cost and other variable purchase expenses, after deducting rebates and discounts.

At the end of each reporting period, tradable commodities are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Tradable commodities are classified as current assets if they are to be sold within one year.

2.15 Repossessed collateral assets

Repossessed collateral assets are accounted for as "repossessed assets" and reported under "other current assets" upon derecognition of relevant loans. Repossessed collateral assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting year. When the fair value less costs to sell is lower than a repossessed collateral asset's carrying amount, an impairment loss is recognized in the consolidated statement of comprehensive income.

Any gain or loss arising on the disposal of the repossessed collateral asset is included in the consolidated statement of comprehensive income in the period during which the item is disposed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share, by taking into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.20 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred income tax (Continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accrued employee benefits in the consolidated statement of financial position.

(b) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees become entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made.

Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(c) Other social security obligations

The PRC employees of the Group are entitled to participate in various government-sponsored social security funds, including medical, housing and other welfare benefits. The Group contributes on a monthly basis to these funds based on certain percentages of the employees' salaries and the contributions are recognized in the consolidated statement of comprehensive income for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contributions payable in the reporting year.

2.22 Share-based payments

Employee Options

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting year, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 Leases

(a) The Group as Lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

(a) The Group as Lessee (Continued)

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

(b) The Group as Lessor

Lease income from operating leases where the Group is a lessor is recognized in other operating income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.25 Revenue recognition

(a) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, where the interest income is calculated by applying its effective interest rate to the amortised cost (i.e. net of the expected credit loss provision).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(b) Consultancy and insurance agency commission fee income

The Group provides consultancy and insurance agency services to its clients.

The consultancy services include multiple performance obligations and the transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where the performance obligations are not directly observable, they are estimated based on expected cost plus margin.

The insurance agency services contain a series of distinct services that are substantially the same and have the same pattern of transfer. Therefore, the services are identified as one performance obligation.

Revenue from providing such services is recognized in the accounting period in which the services are rendered.

(c) Sales of goods

The Group determines first whether the nature of its promise is a performance obligation to provide the specified commodities itself (i.e. the Group is a principal) or to arrange for those commodities to be provided by another party (i.e. the Group is an agent).

If the Group controls the specified commodities before they are transferred to a customer, the Group is a principal and recognize its revenue on delivering the commodities to customers, which generally coincides with the transferral of control.

If the Group's performance obligation is to arrange for the provision of the specified commodity by the other party, the Group is an agent since it does not control the specified commodity. It recognizes revenue in the amount of fee or commission which it expects to be entitled to.

2.26 Government grants

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

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to an entity within the Group with no future related costs are recognized as income of the period in which they become receivable.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group continually evaluates its critical accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

3.1 Critical accounting estimates

(a) Measurement of ECL allowances

The measurement of the ECL allowances for financial assets measured at amortized cost is an area that requires the use of ECL models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL allowances is further detailed in Note 4.1, which also sets out key sensitivities of the ECL allowances to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL allowances, such as:

- determination of relevant key models and parameters;
- criteria for determining whether or not there was a significant increase in credit risk ("SICR") and definition of default or credit impairment;
- estimated future cash flows for loans to customers that the discounted cash flow model is used to calculate ECL allowances;
- economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

(b) Fair value of investment properties

The fair value of investment properties are determined by using valuation techniques. Observable inputs are used at arm's length. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of investment properties. Detailed information about the judgements and estimates made by the Group is set out in Note 4.3.

(c) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.2 Critical accounting judgements

Contractual Agreements

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered owners of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. As described in Note 2.2(a) above, the Group's wholly owned subsidiary Huifang Tongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the owners of Wuzhong Jiaye and Hengyue Consulting. Such Contractual Agreements include: (i) a proxy agreement where Wuzhong Jiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorize Huifang Tongda to exercise their shareholders' rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in the Wuzhong Pawnshop and/or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Company does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Company has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Managing risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by a Central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, market risk and liquidity risk.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The most important types of financial risk are credit risk, market risk and liquidity risk. Market risk primarily includes interest rate risk, foreign exchange risk and price risk.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or those in credit quality of a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio, but can also be from bank deposits and other receivables.

(i) Credit risk measurement of loans to customers

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group's loans to customers are segmented into secured loans and unsecured loans based on credit risk characteristics. Key parameters in ECL measurement include Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

(ii) ECL allowances measurement

In accordance with HKFRS 9, the Group constructed a "three-stage" ECL model to measure ECL allowances based on changes in credit quality since initial recognition of a loan:

- Stage 1: A financial instrument that a SICR since initial recognition is not identified and is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group.

- Stage 2: If a SICR since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to "Stage 2".

- Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Financial instruments in Stage 1 have their ECL allowances measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL allowances measured based on ECLs on a lifetime basis.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

a. *SICR*

The Group manages the credit risk of its loan portfolio mainly by monitoring the over-due status of borrowers. The Group considers a loan to have experienced an SICR when it meets one or more of the following quantitative and qualitative criteria:

Quantitative criteria:

- The borrower is past due on its contractual payments for more than 30 days but no more than 90 (included) days.

Qualitative criteria:

- Default in other financial institutions; and

- Under-going law sue raised by the Group.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the central Risk Management Department.

b. *Definition of default and credit-impaired assets*

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impairment, when it meets one or more of the following criteria:

Quantitative criteria:

- The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:

- The debtor is likely to go bankrupt or carry out other financial restructuring.

- The Group has made concessions to the debtor in financial difficulty for economic or legal reasons.

The criteria above have been applied to all financial instruments measured at amortized cost and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

c. *Measuring ECL allowances — Model inputs, assumptions and estimation techniques*

The ECL allowance is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL allowances are the discounted product of the PD, LGD, and EAD, defines as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above).

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

- EAD is based on the amounts the Group expects to be owed at the time of default.

The ECL allowance is determined by projecting the PD, LGD and EAD for every six months and for each individual exposure or collective segment. These three components are multiplied together and adjusts their duration (if there is no early repayment or default). This effectively calculates an ECL allowance for every six months, which is then discounted back to the reporting date and summed. The discount rate used in the ECL allowance calculation is the original effective interest rate.

For loans to customers in stage 1, the Group first calculates the annual 12-month PD and then transfers it to monthly PD. For loans to customers in stage 2 and 3, the lifetime PDs are developed by monitoring how defaults develop in a portfolio from the point of time when a loan experiences SICR to its lifetime. The lifetime PDs are based on historical observed data taking into consideration forward-looking factors and are assumed to be the same across all loans to customers within a portfolio. This is supported by historical analysis.

The LGDs are determined based on the factors that affect the recoverable amounts post default. These vary by product type.

- For secured loans to customers, this is primarily based on the projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured loans to customers, the Group will preserve the borrower's asset to mitigate the credit risk. Thus the LGDs are determined based on the factors similar to secured loans to customers.

Forward-looking economic information is also included in determining the 12-month and lifetime PDs and LGDs. These assumptions vary by product type.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

c. *Measuring ECL allowances — Model inputs, assumptions and estimation techniques (Continued)*

For loans to customers classified into stages 1 and 2, the management assessed ECL allowances using the risk parameter modelling approach that incorporates key parameters, including PD, LGD and EAD. For impaired loans to customers in stage 3, the management assesses ECL allowances by estimating the cash flows from the loans taking into consideration of forward-looking factors.

The assumptions underlying the ECL allowance calculation, such as how the maturity profile of the PDs and how collateral values change, are monitored and reviewed on a half-year basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

d. *Forward-looking information incorporated in the ECL models*

Both the assessment of SICR and the calculation of ECL allowances incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables for each ECL segment.

Based on analysis and assessment, the Group applies a series of economic variables (including Urban Per Capita Disposable Income Growth Rate (城鎮居民人均可支配收入增長率), National Housing Sensitive index (國房景氣指數) and Business Climate Index (企業景氣指數), etc.) to establish statistical co-relation between such economic variables and PDs, LGDs. A forward-looking result on PDs and LGDs is calculated based on forecasts of these economic variables.

The following table illustrates how economic variables apply to different portfolios.

	PDs	LGDs
Secured loans to customers	Urban Per Capita Disposable Income Growth Rate	National Housing Sensitive index
Unsecured loans to customers	Urban Per Capita Disposable Income Growth Rate	Business Climate Index

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

d. Forward-looking information incorporated in the ECL models (Continued)

Economic variable forecasts

The most significant year-end forecasts used for the ECL allowances estimate as at 31 December 2022 are set out below. The scenarios “base”, “upside” and “downside” are used for all segments.

		2022
Urban Per Capita Disposable Income Growth Rate	Base	**7.22**
	Upside	**7.36**
	Downside	**7.08**
National Housing Sensitive Index	Base	**99.79**
	Upside	**99.93**
	Downside	**99.66**
Business Climate Index	Base	**120.19**
	Upside	**120.81**
	Downside	**119.57**

The weightings assigned to each economic scenario at 31 December 2022 are as follows:

	Base	Upside	Downside
All portfolios	80%	10%	10%

Other forward-looking considerations not incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL allowances for such factors. This is reviewed and monitored for appropriateness regularly.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

d. Forward-looking information incorporated in the ECL models (Continued)

Sensitivity analysis

Set out below are the changes to the ECL allowances as at 31 December 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

		Urban Per Capita Disposable Income Growth Rate		
Secured loans to customers		**–1%**	**No change**	**+1%**
National Housing Sensitive index	+1%	—	–0.01%	–0.03%
	No change	0.02%	—	–0.02%
	–1%	0.03%	0.01%	—

		Urban Per Capita Disposable Income Growth Rate		
Unsecured loans to customers		**–1%**	**No change**	**+1%**
Business Climate index	+1%	0.03%	–0.03%	–0.09%
	No change	0.06%	—	–0.06%
	–1%	0.09%	0.03%	–0.03%

As at 31 December 2022, weighted average ECL allowances for loans to customers under the three economic scenarios (upside, base and downside) will increase by less than 1% compared to ECL allowances for loans to customers under the base economic scenario.

Should the weighting assigned to the upside economic scenario increase by 10% and the weighting assigned to base economic scenario decrease by 10%, the ECL allowances for loans to customers would decrease by less than 1%. Should the weighting assigned to downside economic scenario increase by 10% and the weighting assigned to base economic scenario decrease by 10%, the ECL allowances for loans to customers would increase by less than 1%.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) ECL allowances measurement (Continued)

d. *Forward-looking information incorporated in the ECL models (Continued)*

Sensitivity analysis (Continued)

The Group performs a sensitivity analysis on the ECL allowances, assuming all past due loans to customers currently categorized at Stage 1 are moved down to Stage 2 after having experienced an SICR. The table below shows the change in ECL allowances:

Loans to customers	As at 31 December 2022
ECL allowances assuming past due loans to customers at Stage 1 move down to Stage 2	719,062
Current ECL allowances	715,859
Difference	3,203
Difference percentage	0.45%

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(iii) Credit risk exposure

The following table contains an analysis of the credit risk exposure of financial assets for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December				
	2022				2021
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans to customers					
Secured loans to customers (a)	800,972	11,057	805,470	1,617,499	1,398,366
Unsecured loans to customers (b)	983,187	24,516	197,712	1,205,415	1,061,192
Gross carrying amount	1,784,159	35,573	1,003,182	2,822,914	2,459,558
Loss allowances	(35,651)	(10,451)	(669,757)	(715,859)	(644,481)
Carrying amount	1,748,508	25,122	333,425	2,107,055	1,815,077
Term deposits with banks					
Credit grade					
AAA	110,240	–	–	110,240	244,390
Gross carrying amount	110,240	–	–	110,240	244,390
Loss allowances	(164)	–	–	(164)	(164)
Carrying amount	110,076	–	–	110,076	244,226
Other current assets (excluding repossessed assets and advances to suppliers)					
Gross carrying amount	18,342	–	–	18,342	14,246
Loss allowances	(1,141)	–	–	(1,141)	(951)
Carrying amount	17,201	–	–	17,201	13,295
Guarantee and commitment					
Financial guarantees exposure	–	–	–	–	46,950

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(iii) Credit risk exposure (Continued)

(a) Secured loans to customers comprise real estate backed loans and movable property backed loans.

(b) Unsecured loans to customers comprise equity interest backed loans, guaranteed loans and other unsecured loans.

The following table contains an analysis of credit risk exposure of financial assets at fair value through profit or loss:

	As at 31 December	
	2022	2021
Financial assets at fair value through profit or loss:		
— Structured deposits	**50,502**	61,295
— Private equity funds	**59,764**	15,000
	110,266	76,295

(iv) Concentration of risks of financial assets with credit risk exposure

The Group maintains a diversified client base. The gross carrying amount from the top five customers accounted for 24.7% of total gross carrying amount as at 31 December 2022 (31 December 2021: 25.9%). Interest income from the top five customers accounted for 18.7% of total interest income for the year ended 31 December 2022 (2021: 23.0%).

(v) Collateral and other credit enhancement

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for loans granted. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans to customers are:

- Real estate, including residential, commercial and industrial properties;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers; and
- Movable properties, including but not limited to vehicles, luxury goods, precious metal, jewellery and works of art.

The Group's policies regarding obtaining collateral have not significantly changed in 2022 and there has been no significant change in the overall quality of the collateral held by the Group since the prior year.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(v) Collateral and other credit enhancement (Continued)

The Group also focuses on ascertaining legal ownership and the valuation of the real estate and work of art collaterals. A loan granted is based on the value of the collaterals, which is generally lower than the estimated value of the real estate and work of art collaterals. The Group monitors the value of the real estate and work of art collaterals throughout the loan period.

For unsecured loans, other than taking into consideration of repayment ability and credit records of individual borrower, the Group also introduces other credit enhancement measures such as guarantee from a third party.

a. *Fair Value of collateral of credit-impaired loans*

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

The gross amount of real estate backed loans that are credit-impaired and the fair value of collateral held in order to mitigate potential credit losses are shown below:

	Real estate backed loans As at 31 December	
	2022	2021
Gross exposure	**805,470**	817,840
Less: ECL allowances	**(479,678)**	(371,420)
Carrying amount	**325,792**	446,420
Fair value of collateral held	**684,957**	759,812

(vi) Written-off policy

The Group aims to recover amounts to which it is legally entitled. However, when the Group has exhausted all practical recovery efforts and has concluded no reasonable expectation of recovery, it writes off financial assets, in whole or in part. Indicators include: (i) the Group ceases enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that no reasonable expectation of recovering in full exists.

There is no financial assets written off during the year ended 31 December 2022 (2021: The amounts of financial assets written off during the year is RMB70,762 thousand).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk is primarily attributable to interest rate risk arising from loans to customers, bank balances and borrowings. The Group has established policies and procedures for monitoring and managing market risk.

(i) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The Group's most significant interest-bearing assets are loans to customers, bank deposits and structured deposits, and its most significant interest-bearing liabilities are borrowings.

The interest rates of loans to customers are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

For the other interest-bearing assets and liabilities, the Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio. Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB3,264 thousand for the year ended 31 December 2022 (2021: RMB1,676 thousand).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Market risk (Continued)

(ii) Foreign exchange risk

The Group operates principally in the PRC. The majority of recognized assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in RMB thousand, is as follows:

	As at 31 December			
	2022		2021	
	USD	HKD	USD	HKD
Cash at bank and cash on hand	6,835	2,532	7,915	3,920
Loans to customers	—	23,720	—	21,449
Net exposure	6,835	26,252	7,915	25,369

Should US dollar and Hong Kong dollar weaken/strengthen by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB331 thousand (2021: RMB333 thousand) lower/higher.

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's assets measured at fair value will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual asset or its issuer, or factors affecting all similar assets.

The Group's price risk exposure mainly relates to financial assets at fair value through profit or loss and investment properties. The market prices of those assets could lead to the fluctuation of investment value. The Group monitors the fair value of its portfolio on a timely basis and adjusts the position according to its analysis and prospect of the market.

Should the prices of these financial assets had increased/decreased by 5%, the profit before income tax would have been RMB3.6 million (2021: RMB1.6 million) higher/lower for the year ended 31 December 2022.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, the Group monitors rolling forecasts of its liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

(i) Maturities of financial assets and liabilities

The table below analyzes the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Group's expected cash flows on these financial instruments may vary significantly from the following analysis.

	Repayable on demand or within 1 month	1–6 months	6–12 months	Over 12 months	Past due	Total
As at 31 December 2022						
Cash at bank and cash on hand	261,732	51,307	244	–	–	313,283
Financial assets at fair value through profit or loss	72,129	50,502	–	–	–	122,631
Loans to customers	253,177	926,936	360,682	283,747	374,298	2,198,840
Other financial assets	7,735	–	–	–	810	8,545
Total financial assets	594,773	1,028,745	360,926	283,747	375,108	2,643,299
Borrowings	(129,996)	(101,364)	(301,589)	(226,440)	–	(759,389)
Amounts due to related parties	(633)	–	–	–	–	(633)
Lease liabilities	(155)	(1,006)	(1,723)	(2,597)	–	(5,481)
Other financial liabilities	(37,519)	–	–	–	–	(37,519)
Total financial liabilities	(168,303)	(102,370)	(303,312)	(229,037)	–	(803,022)
Net liquidity gap	426,470	926,375	57,614	54,710	375,108	1,840,277
As at 31 December 2021						
Cash at bank and cash on hand	497,054	40,889	10,457	–	–	548,400
Financial assets at fair value through profit or loss	31,748	–	61,295	–	–	93,043
Loans to customers	142,406	742,792	253,649	225,308	521,412	1,885,567
Total financial assets	671,208	783,681	325,401	225,308	521,412	2,527,010
Borrowings	(243,983)	(188,410)	(74,793)	(132,120)	–	(639,306)
Amounts due to related parties	(633)	–	–	–	–	(633)
Lease liabilities	(451)	(892)	(1,565)	(7,330)	–	(10,238)
Other financial liabilities	(16,215)	–	–	–	–	(16,215)
Total financial liabilities	(261,282)	(189,302)	(76,358)	(139,450)	–	(666,392)
Net liquidity gap	409,926	594,379	249,043	85,858	521,412	1,860,618

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value of financial assets and liabilities

The Group's financial assets and liabilities are categorized as "cash at banks and cash on hand", "loans to customers", "financial assets at fair value through profit or loss", "other financial receivables", "borrowings", "amounts due to related parties" and "other financial liabilities" respectively.

"Cash at banks and cash on hand", "loans to customers", "other financial receivables", "borrowings", "amounts due to related parties" and "other financial liabilities" are stated at amortized cost, where fair values approximate to their amortized costs.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Financial assets at fair value through profit or loss				
— Equity investments	**12,365**	**—**	**—**	**12,365**
— Private equity funds	**—**	**—**	**59,764**	**59,764**
— Structured deposits	**—**	**—**	**50,502**	**50,502**
	12,365	**—**	**110,266**	**122,631**

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Financial assets at fair value through profit or loss				
— Equity investments	16,748	—	—	16,748
— Private equity funds	—	—	15,000	15,000
— Structured deposits	—	—	61,295	61,295
	16,748	—	76,295	93,043

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value of financial assets and liabilities (Continued)

(a) Fair value hierarchy (Continued)

There are no transfers between levels during the year.

The Group does not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2022 (31 December 2021: same).

(b) Valuation techniques used to determine fair value

The discounted cash flow model is used to determine the fair value of the structured deposits in level 3, and the net asset value model is used to determine the fair value of the private equity funds in level 3 (31 December 2021: same).

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2022 and 31 December 2021:

	Structured deposits	Private equity funds
Opening balance as at 1 January 2022	**61,295**	**15,000**
Disposals	**(59,500)**	**—**
Acquisitions	**49,500**	**42,000**
Unrealized (losses)/gains recognized in net investment (losses)/gains	**(793)**	**2,764**
Closing balance as at 31 December 2022	**50,502**	**59,764**
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	**1,002**	**2,764**

	Structured deposits	Private equity funds
Opening balance as at 1 January 2021	82,880	—
Disposals	(82,880)	—
Acquisitions	59,500	15,000
Unrealized gains recognized in net investment gains	1,795	—
Closing balance as at 31 December 2021	61,295	15,000
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	1,795	—

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value of financial assets and liabilities (Continued)

(d) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable input used in level 3 fair value measurements:

Description	Fair value at 31 December 2022	Unobservable inputs	Range of inputs 31 December 2022	Relationship of unobservable inputs to fair value
Structured deposits	50,502	Expected yield to maturity	1.95%–3.50%	The higher the expected yield to maturity, the higher the fair value

Description	Fair value at 31 December 2021	Unobservable inputs	Range of inputs 31 December 2021	Relationship of unobservable inputs to fair value
Structured deposits	61,295	Expected yield to maturity	1.95%–3.70%	The higher the expected yield to maturity, the higher the fair value

The fair value of the Group's private equity funds measurement in level 3 is determined based on the net asset value provided by respective fund managers as at 31 December 2022.

4.3 Fair value of investment properties

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Investment properties	**—**	**1,680**	**191,289**	**192,969**
Total non-financial assets	**—**	**1,680**	**191,289**	**192,969**

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Investment properties	—	1,680	202,018	203,698
Total non-financial assets	—	1,680	202,018	203,698

There are no transfers between levels during the year.

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value of investment properties (Continued)

(b) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually, and determines a property's value within a range of reasonable fair value estimates.

The fair value for investment properties in level 2 is based on current prices in local market for similar properties. For investment properties classified as level 3, valuations are based on the income approach by discounting the estimated future rental proceeds. The rental proceeds in future periods are estimated based on current rentals of the investment property adjusted by expected vacancy rate and rental growth rate. The significant unobservable inputs involved in the valuation are discount rate, expected vacancy rate and rental growth rate.

(c) Fair value measurements using significant unobservable inputs (level 3)

Opening balance as at 1 January 2022	202,018
Acquisitions	—
Unrealized losses recognized in net investment gains	(10,729)
Closing balance as at 31 December 2022	191,289
Including: unrealized gains recognized in profit or loss attributable to balances held at the end of the year	99,693

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	**Fair value at 31 December 2022**	**Unobservable inputs**	**Range of inputs 31 December 2022**	**Relationship of unobservable inputs to fair value**
Investment properties	191,289	Discount rate	5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%–3.5%	The higher the rental growth rate, the higher the fair value

Description	Fair value at 31 December 2021	Unobservable inputs	Range of inputs 31 December 2021	Relationship of unobservable inputs to fair value
Investment properties	202,018	Discount rate	5.5%	The higher the discount rate and expected vacancy rate, the lower the fair value
		Expected vacancy rate	2%–15%	
		Rental growth rate	2.5%	The higher the rental growth rate, the higher the fair value

(All amounts in RMB thousands unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.4 Capital risk management

The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings net of cash and cash equivalent. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt.

The Group's strategy is to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times. The gearing ratio as at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
Borrowings	**729,228**	595,660
Less: Cash and cash equivalents	**(196,805)**	(234,781)
Net debt	**532,423**	360,879
Total equity	**2,111,330**	2,093,734
Total capital	**2,643,753**	2,454,613
Gearing ratio	**20.14%**	14.70%

(i) Loan covenants

The Group has no financial covenants under the terms of the borrowing facilities as at 31 December 2022 (2021: same).

5 SEGMENT INFORMATION

The Company's Board of Directors is the Group's chief operating decision-maker, which assesses the financial performance and position of the Group and makes strategic decisions.

The Group manages its business under two operating and reportable segments for the year ended 31 December 2022 (2021: same).

(a) Business segments

From business perspective, the Group provides services through two main business segments listed below:

Inclusive finance business division: The inclusive finance business division mainly refers to provision of lending services in the PRC From a product perspective, the inclusive finance business division principally engaged in lending services through granting secured loans and unsecured loans to customers.

Ecology finance business division: The division mainly dedicates services to supply chain loan facilitation technology ,factoring, insurance agency and equity investment business.

(All amounts in RMB thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(b) Segment analysis

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

	For the year ended 31 December 2022				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	214,715	396,436	13,323	—	624,474
Internal operating income	532	2,072	13,236	(15,840)	—
External operating cost	(7,989)	(366,283)	(17,409)	—	(391,681)
Internal operating cost	(6,796)	(7,484)	(434)	14,714	—
Net investment gains/(losses)	—	2,763	(10,018)	—	(7,255)
Credit impairment losses	(63,133)	(2,080)	(9,499)	—	(74,712)
Net gains on derecognition of financial assets measured at amortized cost	3,787	—	—	—	3,787
Other operating (expenses)/income	(1,442)	640	6,013	(3,420)	1,791
General and administrative expenses	(29,605)	(5,976)	(42,783)	4,546	(73,818)
Share of net profit of associates accounted for using the equity method	—	1,716	—	—	1,716
Other (losses)/gains, net	(8)	(25)	3,199	—	3,166
Profits/(Losses) before income tax	110,061	21,779	(44,372)	—	87,468
Capital expenditure	(1,633)	(370)	(11,142)	—	(13,145)

	As at 31 December 2022				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,525,168	680,881	783,263	(4,166)	2,985,146
Segment liabilities	(197,245)	(200,191)	(480,906)	4,526	(873,816)

(All amounts in RMB thousands unless otherwise stated)

5 SEGMENT INFORMATION (Continued)

(b) Segment analysis (Continued)

	For the year ended 31 December 2021				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	236,351	114,287	17,187	—	367,825
Internal operating income	446	165	1,821	(2,432)	—
External operating cost	(7,919)	(97,571)	(15,161)	—	(120,651)
Internal operating cost	(1,158)	(967)	(446)	2,571	—
Net investment gains	—	—	117,310	—	117,310
Credit impairment losses	(156,431)	(290)	2,872	—	(153,849)
Net losses on derecognition of financial assets measured at amortized cost	534	—	—	—	534
Other operating income	179	846	988	(971)	1,042
General and administrative expenses	(21,832)	(4,587)	(36,487)	—	(62,906)
Other (losses)/gains, net	409	—	(3,201)	—	(2,792)
Profits before income tax	50,579	11,883	84,883	(832)	146,513
Capital expenditure	(1,163)	(18)	(78,085)	—	(79,266)

	As at 31 December 2021				
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,077,031	288,450	1,506,622	(35,908)	2,836,195
Segment liabilities	(168,332)	(100,786)	(510,269)	36,926	(742,461)

(All amounts in RMB thousands unless otherwise stated)

6 INTEREST INCOME

	Year ended 31 December	
	2022	2021
Interest income from loans to customers		
— Secured loans	**159,305**	158,493
— Unsecured loans	**95,003**	104,066
Interest income from bank deposits	**4,540**	6,717
	258,848	269,276

7 SALES OF GOODS AND COSTS OF SALES

	Year ended 31 December	
	2022	2021
Sales of goods		
— *As principal*	**362,766**	92,964
— *As agent*	**—**	144
	362,766	93,108
Costs of sales		
— *As principal*	**(359,804)**	(92,362)
	(359,804)	(92,362)

The goods sold mainly contain electronic products and daily groceries.

8 CONSULTANCY FEE INCOME

	Year ended 31 December	
	2022	2021
Loan consultancy fee income	**1,377**	601

(All amounts in RMB thousands unless otherwise stated)

9 COMMISSION FEE INCOME AND EXPENSE

	Year ended 31 December	
	2022	2021
Commission fee income		
Insurance agency commission fee income	899	1,973
Commission fee income from guarantee business	584	2,867
	1,483	4,840
Commission fee expense		
Insurance agency commission fee expense	–	2,712
	–	2,712

10 INTEREST EXPENSE

	Year ended 31 December	
	2022	2021
Interest expense on bank borrowings	28,765	24,088
Interest expense on borrowings from non-bank financial institutions	2,125	650
Other interest expenses	987	839
	31,877	25,577

11 NET INVESTMENT (LOSSES)/GAINS

	Year ended 31 December	
	2022	2021
Fair value gains — financial assets at fair value through profit or loss	2,881	5,318
Cash dividend of listed equity securities	330	1,581
Net gains/(losses) from disposal of financial assets at fair value	263	(11)
Fair value (losses)/gains — investment properties	(10,729)	110,422
	(7,255)	117,310

(All amounts in RMB thousands unless otherwise stated)

12 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Credit impairment losses on loans to customers	**76,395**	154,244
Credit impairment losses on other current assets	**190**	(656)
Credit impairment losses on financial guarantees	**(1,873)**	261
	74,712	153,849

13 NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

For the year ended 31 December 2022, the Group disposed loans to customers with carrying amount of RMB62.8 (2021: RMB11.3 million) million to third parties for considerations of RMB66.6 million (2021: RMB11.8 million). The difference between the consideration and the carrying amount is recognized as net gains on derecognition of financial assets measured at amortized cost.

14 OTHER OPERATING INCOME

	Year ended 31 December	
	2022	2021
Rental income	**3,165**	492
Net (losses)/gains from disposal of repossessed assets	**(1,546)**	71
Others	**172**	479
	1,791	1,042

(All amounts in RMB thousands unless otherwise stated)

15 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2022	2021
Employee benefit expenses (Note 16)	**39,843**	35,278
Professional and consultancy fees	**10,466**	6,854
Depreciation and amortisation	**6,576**	5,007
Telephone, utilities and office expenses	**4,749**	3,795
Transportation, meal and accommodation	**3,359**	3,187
Taxes and surcharges	**3,192**	1,589
Auditors' remuneration	**3,000**	3,000
Operating lease payments	**696**	2,323
Advertising costs	**369**	423
Bank charges	**321**	290
Other expenses	**1,247**	1,160
	73,818	62,906

16 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
Discretionary bonuses	**18,532**	17,235
Wages and salaries	**13,768**	12,028
Pension	**1,659**	1,501
Other social securities obligations	**5,884**	4,514
	39,843	35,278

(All amounts in RMB thousands unless otherwise stated)

16 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group include four executive directors for the year ended 31 December 2022 (2021: two), whose emoluments are reflected in Note 45. The emoluments payable to the remaining one individual (2021: three) for the year ended 31 December 2022 is as follows:

	Year ended 31 December	
	2022	2021
Discretionary bonuses	**234**	2,103
Basic salaries	**216**	612
Pension	**38**	106
Other social securities obligations	**73**	233
	561	3,054

The emoluments to the remaining one individual (2021: three) fell within the following bands:

	Number of individual(s) Year ended 31 December	
	2022	2021
Emoluments band		
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**—**	1

For the years ended 31 December 2022 and 2021, no directors or any of the five highest paid individuals receive any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

17 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2022	2021
Net foreign currency gains/(losses)	**3,125**	(3,303)
Government grants	**41**	511
	3,166	(2,792)

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES

The following is a list of the Company's principal subsidiaries at 31 December 2022. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group. The country/place of incorporation is also their principal place of business.

Name of subsidiary	Country/place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of Issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Sifang Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	100%	–	investment holding
Tongda Investment Limited	BVI	22 November 2011	Limited company	1 share of US$1	–	100%	investment holding
Rongda Investment Limited ("Rongda Investment")	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding
Huifang Investment Limited ("Huifang Investment")	Hong Kong	05 December 2011	Limited company	1 share of US$1	–	100%	investment holding
Suzhou Huifang Technology Company Limited ("Huifang Technology")	Mainland China	29 December 2011	Limited company	US$96,100,000/ US$98,100,000	–	100%	investment holding
Suzhou Huifang Tongda Information Technology Company Limited ("Huifang Tongda")	Mainland China	10 February 2012	Limited company	RMB500,000,000	–	100%	management consulting
Jiangsu Zhongli Communication Technology Co., Ltd ("Zhongli Communication")	Mainland China	8 May 2015	Limited company	RMB27,000,000/ RMB50,000,000	–	100%	management consulting/supply chain management
Suzhou Wuzhong Pawnshop Co., Ltd. ("Wuzhong Pawnshop")	Mainland China	21 December 1999	Limited company	RMB1,000,000,000	–	100%	pawnshop services
Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. ("Dongshan Micro-finance")	Mainland China	26 December 2012	Limited company	RMB300,000,000	–	70%	micro-financing services
Suzhou Huida Commercial Factoring Company Limited ("Huida Factoring")	Mainland China	30 May 2016	Limited company	RMB170,000,000	–	52.94%	factoring services
Suzhou Huifang Jiada Information Technology Company Limited ("Huifang Jiada")	Mainland China	15 December 2016	Limited company	RMB50,000,000	–	100%	technology consulting services
Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership) ("Huifang Rongtong")	Mainland China	1 September 2017	Limited partnership	RMB75,000,000	–	80%	short-term bridge loans
Suzhou Huifang Anda Insurance Agency Company Limited ("Huifang Anda")	Mainland China	16 November 2004	Limited company	RMB2,400,000	–	65%	insurance agency
Suzhou Huifang Supply Chain Management Company Limited ("Huifang Supply Chain")	Mainland China	25 May 2018	Limited company	RMB235,000,000/ RMB400,000,000	–	100%	supply chain management

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

Name of subsidiary	Country/place of incorporation and operation	Date of incorporation	Type of legal entity	Nominal value of Issued and fully paid share capital/ registered capital	Interest directly held	Interest indirectly held	Principal activities
Sichuan Aomeishu Technology Company Limited ("Sichuan Aomeishu")	Mainland China	17 May 2015	Limited company	RMB2,000,000	–	100%	technology development
Qingdao Wanchen Buliang Property Company Limited ("Qingdao Wanchen")	Mainland China	31 October 2019	Limited company	RMB10,000,000	–	100%	purchase and dispose of non-performing assets
Nanjing Yiling Culture and Art Co., Ltd ("Nanjing Yiling")	Mainland China	8 May 2021	Limited company	RMB55,000,000	–	55%	arts loans
Suzhou Huifang Rongcui Management Consulting Co., Ltd. ("Huifang Rongcui") (a)	Mainland China	29 June 2021	Limited company	RMB47,000,000/ RMB100,000,000	–	90%	equity Investment
Changsha Furong District Huifang Pawnshop Co., Ltd. ("Changsha Pawnshop")	Mainland China	9 December 2021	Limited company	RMB50,000,000	–	100%	pawnshop services
Suzhou Huifang Tongcui Management Consulting (Limited Partnership) ("Huifang Tongcui") (b)	Mainland China	23 May 2022	Limited partnership	RMB10,000,000/ RMB20,000,000	–	60%	equity investment
Nanchang Huifang Pawnshop Co., Ltd. ("Nanchang Pawnshop") (c)	Mainland China	24 November 2022	Limited company	RMB30,000,000	–	90%	pawnshop services
Suzhou Huirong Wenhua Yishu Co., Ltd ("Huirong Wenhua") (d)	Mainland China	10 November 2022	Limited company	RMB0/ RMB1,000,000	–	100%	sales of luxury goods

(a) The Group and the non-controlling shareholders invested RMB28.8 million and RMB3.2 million respectively in Huifang Rongcui in 2022.

(b) On 17 August 2022, the Group and other partners invested RMB6.0 million and RMB4.0 million respectively to set up Huifang Tongcui. These other partners include the Group's four executive directors with an initial investment of RMB2.0 million.

(c) On 12 December 2022, the Group and the non-controlling shareholder invested RMB27.0 million and RMB3.0 million respectively to set up Nanchang Pawnshop.

(d) The Group set up Huirong Wenhua on 10 November 2022.

(All amounts in RMB thousands unless otherwise stated)

18 SUBSIDIARIES (Continued)

(e) Non-controlling interests (NCI)

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary is before inter-company eliminations.

Summarized statement of financial position:

	Dongshan Micro-finance As at 31 December		Huida Factoring As at 31 December		Huifang Rongtong As at 31 December		Nanjing Yiling As at 31 December		Huifang Rongcui As at 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Current										
Assets	**356,260**	309,818	**11,903**	42,530	**80,876**	69,258	**72,885**	69,798	**49,739**	15,000
Liabilities	**(55,091)**	(10,641)	**(82,500)**	(66,632)	**(234)**	(137)	**(11,247)**	(14,292)	**—**	—
Total current net assets	**301,169**	299,177	**(70,597)**	(24,102)	**80,642**	69,121	**61,638**	55,506	**49,739**	15,000
Non-current										
Assets	**18,248**	18,436	**258,781**	204,310	**71**	1	**487**	899	**—**	—
Liabilities	**—**	—	**—**	—	**—**	—	**—**	—	**(686)**	—
Total non-current net assets	**18,248**	18,436	**258,781**	204,310	**71**	1	**487**	899	**(686)**	—
Net assets	**319,417**	317,613	**188,184**	180,208	**80,713**	69,122	**62,125**	56,405	**49,053**	15,000
Accumulated NCI	**96,187**	95,645	**88,846**	85,048	**16,158**	14,995	**27,956**	25,863	**4,905**	1,500

Summarized statement of comprehensive income:

	Dongshan Micro-finance Year ended 31 December		Huida Factoring Year ended 31 December		Huifang Rongtong Year ended 31 December		Nanjing Yiling Year ended 31 December		Huifang Rongcui Year ended 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net operating income	**36,566**	41,980	**23,083**	17,008	**21,692**	(7,015)	**11,286**	2,610	**2,745**	—
Net other operating income	**(4,123)**	(3,986)	**(2,593)**	(1,699)	**(2,601)**	(1,772)	**(3,651)**	(733)	**(5)**	—
Income tax expense	**(8,138)**	(9,516)	**(5,254)**	(3,897)	**—**	—	**(1,915)**	(472)	**(686)**	—
Profit for the year	**24,305**	28,478	**15,236**	11,412	**19,091**	(8,787)	**5,720**	1,405	**2,054**	—
Total comprehensive income	**24,305**	28,478	**15,236**	11,412	**19,091**	(8,787)	**5,720**	1,405	**2,054**	—
Total comprehensive income attributable to NCI	**7,292**	8,543	**7,170**	5,086	**2,664**	(602)	**2,093**	1,113	**205**	—
Dividends paid to NCI	**6,750**	6,300	**3,373**	3,549	**1,500**	1,600	**—**	—	**—**	—

(All amounts in RMB thousands unless otherwise stated)

19 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2022	2021
Current income tax	**26,712**	25,510
Deferred income tax	**408**	20,289
	27,120	45,799

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	**87,468**	146,513
Tax calculated at domestic tax rates applicable to profits in the respective areas	**22,699**	37,128
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	**280**	472
— Cash dividends of listed equity securities	**(83)**	(395)
— Sundry items	**(791)**	604
Subtotal	**22,105**	37,809
Reversal of previously recognized deferred tax assets	**—**	557
Unused tax losses for which no deferred tax asset has been recognized	**1,364**	1,704
Previously unrecognized tax losses now recouped to reduce current tax expense	**(354)**	(562)
Adjustments for current tax of prior years	**105**	(349)
PRC withholding tax	**3,900**	6,640
Income tax expense	**27,120**	45,799

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(All amounts in RMB thousands unless otherwise stated)

19 INCOME TAX EXPENSE (Continued)

(a) Income tax expense (Continued)

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong.

According to the Corporate Income Tax Law of the PRC, the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 12.5% of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the taxable income amount.

Pursuant to the CIT Law, a 5% withholding tax is levied on the dividends declared to the investors certified as Hong Kong resident enterprises from companies established in Mainland China and a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China (2021: a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China).

(b) Tax losses

	Year ended 31 December	
	2022	2021
Unused tax losses for which no deferred tax asset has been recognized at 25%	**488**	2,884
Unused tax losses for which no deferred tax asset has been recognized at 16.5%	**7,527**	5,960
Unused tax losses for which no deferred tax asset has been recognized	**8,015**	8,844
Potential tax benefit at 25%	**122**	721
Potential tax benefit at 16.5%	**1,242**	983
Potential tax benefit	**1,364**	1,704

20 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	**41,057**	87,169
Weighted average number of ordinary shares in issue (in thousands)	**1,090,335**	1,089,233
Basic earnings per share (RMB Yuan)	**0.038**	0.080

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares for the year ended 31 December 2022.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	**41,057**	87,169
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (i)	**1,090,335**	1,089,233
Dilutive earnings per share (RMB)	**0.038**	0.080

20 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

(i) Weighted average number of shares used as the denominator

	Year ended 31 December 2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	**1,090,335**	1,089,233
Adjustments for calculation of diluted earnings per share:		
Options (in thousands)	**–**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (Note 34)	**1,090,335**	1,089,233

21 DIVIDENDS

A dividend in respect of the year ended 31 December 2022 of HK$0.03 per share, amounting to a total dividend of HK$32.7 million (equivalent to approximately RMB29.2 million), is to be proposed at the 2022 annual general meeting. These financial statements do not reflect this dividend payable. A dividend of HK$0.04 per ordinary share in respect of the year ended 31 December 2021 was declared at the annual general meeting ("AGM") of the Company held on 26 May 2022. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2021, a total dividend of HK$43.6 million (equivalent to RMB37.3 million) was paid out by the Company on 15 June 2022 (2021: No dividends were declared or paid).

	Year ended 31 December 2022	2021
Proposed dividend	**29,220**	38,013

(All amounts in RMB thousands unless otherwise stated)

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
Cost				
At 1 January 2022	51,484	367	5,272	57,123
Additions	—	—	3,346	3,346
Disposals	—	—	—	—
At 31 December 2022	51,484	367	8,618	60,469
Accumulated depreciation				
At 1 January 2022	—	(22)	(3,827)	(3,849)
Additions	(901)	(87)	(950)	(1,938)
Disposals	—	—	—	—
At 31 December 2022	(901)	(109)	(4,777)	(5,787)
Carrying amount				
At 31 December 2022	50,583	258	3,841	54,682
At 31 December 2021	51,484	345	1,445	53,274

(All amounts in RMB thousands unless otherwise stated)

23 LEASES

(a) Amounts recognized in the balance sheet

	As at 31 December 2022	As at 31 December 2021
Right-of-use assets		
Land-use rights (a)	**12,259**	12,602
Property	**5,431**	8,301
	17,690	20,903
Lease liabilities		
Current	**2,627**	2,913
Non-current	**2,597**	4,540
	5,224	7,453

(a) As at 31 December 2022, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) (Note 38).

The movement of right-of-use assets as follow.

	Land-use rights	Property	Total
Cost			
At 1 January 2022	15,246	21,050	36,296
Additions	—	2,268	2,268
Less	—	(2,651)	(2,651)
At 31 December 2022	15,246	20,667	35,913
Accumulated depreciation			
At 1 January 2022	(2,644)	(12,749)	(15,393)
Additions	(343)	(3,083)	(3,426)
Less	—	596	596
At 31 December 2022	(2,987)	(15,236)	(18,223)
Net book amount			
At 31 December 2022	12,259	5,431	17,690
At 1 January 2022	12,602	8,301	20,903

For short-term lease and low-value asset lease, the Group chooses not to recognize the right-of-use assets and lease liabilities.

(All amounts in RMB thousands unless otherwise stated)

24 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2022	2021
At 1 January	**17,475**	1,500
Additions	**14,210**	15,975
Deductions	**(5,680)**	—
Profit or loss for the period	**1,716**	—
Dividends paid	**(1,716)**	—
At 31 December	**26,005**	17,475

25 INVESTMENT PROPERTIES

	Year ended 31 December 2022		
	Zhonghui Financial Building (a)	**Other**	**Total**
At fair value			
At 1 January	**202,018**	**1,680**	**203,698**
Net losses from fair value adjustment	**(10,729)**	**—**	**(10,729)**
At 31 December	**191,289**	**1,680**	**192,969**

	Year ended 31 December 2021		
	Zhonghui Financial Building	Other	Total
At fair value			
At 1 January	—	1,621	1,621
Transfer from properties under development	91,596	—	91,596
Capitalized subsequent expenditure	—	59	59
Net gains from fair value adjustment	110,422	—	110,422
At 31 December	202,018	1,680	203,698

(a) As at 31 December 2022, the investment property is pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) (Note 38).

(All amounts in RMB thousands unless otherwise stated)

26 INTANGIBLE ASSETS

	Computer software	Licenses	Total
At 31 December 2021			
Cost	3,132	3,294	6,426
Accumulated amortisation and impairment	(1,827)	(2,361)	(4,188)
Net book amount	1,305	933	2,238
Year ended 31 December 2022			
Additions	101	—	101
Amortisation charge	(553)	(659)	(1,212)
Closing net book amount	853	274	1,127
At 31 December 2022			
Cost	3,233	3,294	6,527
Accumulated amortisation and impairment	(2,380)	(3,020)	(5,400)
Net book amount	853	274	1,127

27 DEFERRED INCOME TAX

(a) Deferred tax assets

	As at 31 December	
	2022	2021
The balance comprises temporary differences attributable to:		
ECL allowances charge on financial assets	**85,525**	87,048
Net losses from financial instruments at fair value through profit or loss	**981**	2,944
Recoverable tax losses	**6,151**	5,068
Total deferred tax assets	**92,657**	95,060
Offsetting of deferred tax liabilities pursuant to off-setting provisions	**(7,102)**	(5,178)
Net deferred tax assets	**85,555**	89,882

(All amounts in RMB thousands unless otherwise stated)

27 DEFERRED INCOME TAX (Continued)

(a) Deferred tax assets (Continued)

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	ECL allowances charge on financial assets	Net losses from financial instruments at fair value through profit or loss	Recoverable tax losses	Share-based payments	Total
Deferred income tax assets					
At 1 January 2021	79,746	5,616	1,382	1,000	87,744
Credited/(charged) to the consolidated statement of comprehensive income	7,302	(2,672)	3,686	(1,000)	7,316
At 31 December 2021	87,048	2,944	5,068	—	95,060
At 1 January 2022	87,048	2,944	5,068	—	95,060
(Charged)/credited to the consolidated statement of comprehensive income	(1,523)	(1,963)	1,083	—	(2,403)
At 31 December 2022	85,525	981	6,151	—	92,657

As at 31 December 2022, it is estimated that deferred income tax assets will be reversed over one year (31 December 2021: same).

(All amounts in RMB thousands unless otherwise stated)

27 DEFERRED INCOME TAX (Continued)

(b) Deferred tax liabilities

	As at 31 December 2022	2021
The balance comprises temporary differences attributable to:		
Net gains from investment property	**24,925**	27,605
Net gains from financial instruments at fair value through profit or loss	**685**	—
Total deferred tax liabilities	**25,610**	27,605
Offsetting of deferred tax assets pursuant to off-setting provisions	**(7,102)**	(5,178)
Net deferred tax liabilities	**18,508**	22,427

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Net gains from investment property	Net gains from financial instruments at fair value through profit or loss	Total
Deferred income tax liabilities			
At 1 January 2021	—	—	—
Charged to the consolidated statement of comprehensive income	27,605	—	27,605
At 31 December 2021	27,605	—	27,605
At 1 January 2022	27,605	—	27,605
Charged to the consolidated statement of comprehensive income	(2,680)	685	(1,995)
At 31 December 2022	24,925	685	25,610

As at 31 December 2022, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2021: same).

(All amounts in RMB thousands unless otherwise stated)

28 FINANCIAL ASSETS BY CATEGORY

		As at 31 December 2022		
Financial assets	*Notes*	At FVPL	At amortized cost	Total
Other current assets	*30*	**—**	**17,201**	**17,201**
Loans to customers	*31*	**—**	**2,107,055**	**2,107,055**
Financial assets at fair value through profit or loss	*32*	**122,631**	**—**	**122,631**
Cash at bank and cash on hand	*33*	**—**	**309,139**	**309,139**
		122,631	**2,433,395**	**2,556,026**

		As at 31 December 2021		
Financial assets	*Notes*	At FVPL	At amortized cost	Total
Other current assets	*30*	—	13,295	13,295
Loans to customers	*31*	—	1,815,077	1,815,077
Financial assets at fair value through profit or loss	*32*	93,043	—	93,043
Cash at bank and cash on hand	*33*	—	483,347	483,347
		93,043	2,311,719	2,404,762

29 INVENTORIES

	As at 31 December	
	2022	2021
Consumer goods	**2,163**	17,707

30 OTHER CURRENT ASSETS

	As at 31 December	
	2022	2021
Advances to suppliers	**35,377**	11,079
Repossessed assets	**13,549**	15,171
Other receivables, net	**17,201**	13,295
Other receivables, gross	**18,342**	14,246
Less: ECL allowances	**(1,141)**	(951)
	66,127	39,545

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS

Non-current	As at 31 December 2022	2021
Loans to customers, gross		
Unsecured loans	**264,828**	207,542
— *Guaranteed loans*	**262,538**	207,542
— *Other unsecured loans*	**2,290**	—
Less: ECL allowances	**(5,859)**	(4,549)
Loans to customers, net	**258,969**	202,993

Current	As at 31 December 2022	2021
Loans to customers, gross		
Secured loans	**1,617,499**	1,398,366
— *Real estate backed loans*	**1,409,990**	1,253,726
— *Movable property backed loans*	**207,509**	144,640
Unsecured loans	**940,587**	853,650
— *Equity interest backed loans*	**461,471**	465,319
— *Guaranteed loans*	**233,014**	227,288
— *Other unsecured loans*	**246,102**	161,043
	2,558,086	2,252,016
Less: ECL allowances		
Secured loans	**(491,743)**	(389,812)
Unsecured loans	**(218,257)**	(250,120)
	(710,000)	(639,932)
Loans to customers, net	**1,848,086**	1,612,084

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The terms of non-current loans granted to customers are between two to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum in the year ended 31 December 2022 (2021: same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum in the year ended 31 December 2022 (2021: from 5.5% to 25.2%). Other unsecured loans granted to customers bear fixed interest rates from 3.8% to 17.0% per annum in the year ended 31 December 2022 (2021: same).

As at 31 December 2022, renewed loans amounted to RMB254.8 million (2021: RMB245.8 million), which include real estate backed loans, equity interest backed loans, movable property backed loans and guaranteed loans (31 December 2021: same).

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(a) Aging analysis of loans to customers

The aging of the loans to customers is calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of ECL allowances are set out below:

Non-current	As at 31 December 2022 Secured loans	Unsecured loans	Total	2021 Total
Within 3 months	–	12,073	12,073	53,787
3–6 months	–	46,877	46,877	54,099
6–12 months	–	25,448	25,448	24,572
12–24 months	–	130,544	130,544	70,535
Over 24 months	–	44,027	44,027	–
	–	258,969	258,969	202,993

Current	As at 31 December 2022 Secured loans	Unsecured loans	Total	2021 Total
Within 3 months	216,776	227,680	444,456	491,513
3–6 months	301,545	139,388	440,933	238,969
6–12 months	186,882	289,426	476,308	280,780
12–24 months	63,113	6,771	69,884	79,231
Over 24 months	7,012	35,195	42,207	758
Past due (i)	350,428	23,870	374,298	520,833
	1,125,756	722,330	1,848,086	1,612,084

(i) Past due loans to customers net of ECL allowances

Current	As at 31 December 2022 Secured loans	Unsecured loans	Total	2021 Total
Past due within three months	24,636	16,237	40,873	59,200
Past due between three months and one year	28,805	6,356	35,161	23,054
Past due between one year and three years	13,630	–	13,630	40,532
Past due over three years	283,357	1,277	284,634	398,047
	350,428	23,870	374,298	520,833

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers

The following tables explain the changes in loss allowances during the reporting period due to these factors:

Non-current Unsecured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Loss allowances as at 31 December 2021	4,549	—	—	4,549
New loans to customers originated	1,417	—	—	1,417
Changes in PDs/LGDs/EADs	199	—	—	199
Loans to customers derecognized during the year other than write-offs	(306)	—	—	(306)
Loss allowances as at 31 December 2022	5,859	—	—	5,859

Current Secured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Loss allowances as at 31 December 2021	7,516	10,876	371,420	389,812
Transfers:				
Transfers from Stage 1 to Stage 2	(2,044)	27,831	—	25,787
Transfers from Stage 2 to Stage 3	—	(31,455)	43,317	11,862
New loans to customers originated	14,784	—	—	14,784
Changes in PDs/LGDs/EADs	(302)	(367)	84,482	83,813
Unwind of discount	—	—	14,984	14,984
Loans to customers derecognized during the year other than write-offs	(10,061)	(4,713)	(34,525)	(49,299)
Loss allowances as at 31 December 2022	9,893	2,172	479,678	491,743

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Unsecured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2021	18,501	2,812	228,807	250,120
Transfers:				
Transfers from Stage 1 to Stage 2	(4,611)	12,732	—	8,121
Transfers from Stage 2 to Stage 3	—	(8,553)	16,641	8,088
New loans to customers originated	172,256	—	—	172,256
Changes in PDs/LGDs/EADs	(10,091)	1,292	(19,754)	(28,553)
Unwind of discount	—	—	84	84
Loans to customers derecognized during the year other than write-offs	(156,156)	(4)	(35,699)	(191,859)
Loss allowances as at 31 December 2022	19,899	8,279	190,079	218,257

Non-current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	4,570	—	—	4,570
New loans to customers originated	5,172	—	—	5,172
Changes in PDs/LGDs/EADs	(3,546)	—	—	(3,546)
Loans to customers derecognized during the year other than write-offs	(1,647)	—	—	(1,647)
Loss allowances as at 31 December 2021	4,549	—	—	4,549

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(b) Movements on ECL allowances for loans to customers (Continued)

Current Secured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	5,011	2,160	356,576	363,747
Transfers:				
Transfers from Stage 1 to Stage 2	(1,119)	31,871	—	30,752
Transfers from Stage 2 to Stage 3	—	(20,031)	31,352	11,321
New loans to customers originated	11,732	—	—	11,732
Changes in PDs/LGDs/EADs	332	2,304	50,252	52,888
Unwind of discount	—	—	9,750	9,750
Loans to customers derecognized during the year other than write-offs	(8,440)	(5,428)	(25,901)	(39,769)
Write-offs	—	—	(50,609)	(50,609)
Loss allowances as at 31 December 2021	7,516	10,876	371,420	389,812

Current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Loss allowances as at 31 December 2020	24,272	—	211,081	235,353
Transfers:				
Transfers from Stage 1 to Stage 2	(883)	6,383	—	5,500
Transfers from Stage 2 to Stage 3	—	(4,175)	11,357	7,182
New loans to customers originated	82,925	—	—	82,925
Changes in PDs/LGDs/EADs	(1,242)	611	30,543	29,912
Unwind of discount	—	—	4,837	4,837
Loans to customers derecognized during the year other than write-offs	(86,571)	(7)	(8,858)	(95,436)
Write-offs	—	—	(20,153)	(20,153)
Loss allowances as at 31 December 2021	18,501	2,812	228,807	250,120

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances

The following table explains changes in the gross carrying amount of the loans to customers that help explain their significance to the changes in the ECL allowances for loans to customers:

Non-current Unsecured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2021	207,542	—	—	207,542
Loans to customers derecognized during the year other than write-offs	(29,000)	—	—	(29,000)
New loans to customers originated	86,050	—	—	86,050
Changes in interest accrual	236	—	—	236
Gross carrying amount as at 31 December 2022	264,828	—	—	264,828

Current Secured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2021	538,408	42,118	817,840	1,398,366
Transfers:				
Transfers from Stage 1 to Stage 2	(109,663)	109,663	—	—
Transfers from Stage 2 to Stage 3	—	(107,805)	107,805	—
Loans to customers derecognized during the year other than write-offs	(709,119)	(31,864)	(175,642)	(916,625)
New loans to customers originated	1,084,847	—	—	1,084,847
Changes in interest accrual	(3,501)	(1,055)	55,467	50,911
Gross carrying amount as at 31 December 2022	800,972	11,057	805,470	1,617,499

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Unsecured loans	Year ended 31 December 2022 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2021	602,834	6,797	244,019	853,650
Transfers:				
Transfers from Stage 1 to Stage 2	(31,644)	31,644	—	—
Transfers from Stage 2 to Stage 3	—	(17,860)	17,860	—
Loans to customers derecognized during the year other than write-offs	(5,306,999)	(5)	(56,594)	(5,363,598)
New loans to customers originated	5,445,451	—	—	5,445,451
Changes in interest accrual	6,749	3,940	(8,027)	2,662
FX and other movements	1,968	—	454	2,422
Gross carrying amount as at 31 December 2022	718,359	24,516	197,712	940,587

Non-current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	 Stage 2 Lifetime ECLs	 Stage 3 Lifetime ECLs	 Total
Gross carrying amount as at 31 December 2020	115,332	—	—	115,332
Loans to customers derecognized during the year other than write-offs	(43,000)	—	—	(43,000)
New loans to customers originated	135,000	—	—	135,000
Changes in interest accrual	210	—	—	210
Gross carrying amount as at 31 December 2021	207,542	—	—	207,542

(All amounts in RMB thousands unless otherwise stated)

31 LOANS TO CUSTOMERS (Continued)

(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances (Continued)

Current Secured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	386,444	9,447	870,605	1,266,496
Transfers:				
Transfers from Stage 1 to Stage 2	(117,814)	117,814	—	—
Transfers from Stage 2 to Stage 3	—	(60,584)	60,584	—
Loans to customers derecognized during the year other than write-offs	(698,368)	(25,573)	(93,696)	(817,637)
New loans to customers originated	962,799	—	—	962,799
Changes in interest accrual	5,347	1,014	30,956	37,317
Write-offs	—	—	(50,609)	(50,609)
Gross carrying amount as at 31 December 2021	538,408	42,118	817,840	1,398,366

Current Unsecured loans	Year ended 31 December 2021 Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Total
Gross carrying amount as at 31 December 2020	774,843	—	261,210	1,036,053
Transfers:				
Transfers from Stage 1 to Stage 2	(26,702)	26,702	—	—
Transfers from Stage 2 to Stage 3	—	(20,194)	20,194	—
Loans to customers derecognized during the year other than write-offs	(3,608,168)	(8)	(19,004)	(3,627,180)
New loans to customers originated	3,461,892	—	—	3,461,892
Changes in interest accrual	871	297	1,772	2,940
Write-offs	—	—	(20,153)	(20,153)
FX and other movements	98	—	—	98
Gross carrying amount as at 31 December 2021	602,834	6,797	244,019	853,650

(All amounts in RMB thousands unless otherwise stated)

32 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2022	2021
Equity securities	**72,129**	31,748
Structured deposits (a)	**50,502**	61,295
	122,631	93,043

(a) The interest rates of structured deposits are related to certain foreign exchange rates agreed with respective banks.

(b) As at 31 December 2022, structured deposits with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) have been pledged with banks to secure borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million).

33 CASH AT BANK AND CASH ON HAND

	As at 31 December	
	2022	2021
Cash on hand	**1,143**	1,020
Demand deposits with banks	**194,818**	233,368
Deposits with securities company	**844**	393
Interest receivable from bank deposits	**2,258**	4,340
Term deposits with banks with original maturities over 3 months, net	**110,076**	244,226
Term deposits with banks with original maturities over 3 months, gross	**110,240**	244,390
Less: ECL allowances	**(164)**	(164)
	309,139	483,347

Cash at bank and cash on hand are denominated in the following currencies:

	As at 31 December	
	2022	2021
RMB	**299,772**	471,512
US dollar	**6,835**	7,915
Hong Kong dollar	**2,532**	3,920
	309,139	483,347

(All amounts in RMB thousands unless otherwise stated)

33 CASH AT BANK AND CASH ON HAND (Continued)

Cash and cash equivalents of the Group are determined as follows:

	As at 31 December	
	2022	2021
Cash at bank and cash on hand	**309,139**	483,347
Less: Unrestricted term deposits with banks with original maturities over 3 months	**–**	(10,000)
Interest receivable from bank deposits	**(2,258)**	(4,340)
Restricted term deposits pledged with banks with original maturities over 3 months	**(110,076)**	(234,226)
	196,805	234,781

As at 31 December 2022, restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million) are pledged with banks to secure bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) (Note 38).

34 SHARE CAPITAL

	Number of shares	Ordinary shares HK$	Ordinary shares RMB
Issued and fully paid			
As at 31 December 2022	1,090,335,000	10,903,350	8,662,017
As at 31 December 2021	1,090,335,000	10,903,350	8,662,017

There are no movements in ordinary shares during the year.

35 SHARE PREMIUM AND OTHER RESERVES

		Other reserves				
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	Total
At 1 January 2021	602,728	504,658	77,715	4,417	6,984	1,196,502
Issue of shares under employee share scheme (a)	1,750	—	—	—	(451)	1,299
Capital movement of non-controlling interests	—	(201)	—	—	—	(201)
At 31 December 2021	604,478	504,457	77,715	4,417	6,533	1,197,600
At 1 January 2022	604,478	504,457	77,715	4,417	6,533	1,197,600
Issue of shares under employee share scheme (a)	—	—	—	—	—	—
Capital movement of non-controlling interests	—	—	—	—	—	—
At 31 December 2022	604,478	504,457	77,715	4,417	6,533	1,197,600

(a) Share-based payments

The Group approved on 13 September 2016 to grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years expired on 12 September 2021. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2022, no ordinary shares are issued by the Company in connection with share-based payments scheme.

During the year ended 31 December 2021, the Company issued 2,566,000 ordinary shares in connection with the exercised options under the share-based payments scheme. Consideration received amounted to HK$1,591 thousand (equivalent to approximately RMB1,320 thousand). The excess of RMB1,299 thousand over the par value of RMB21 thousand, plus transfer-in amount of RMB451 thousand previously recognized in share-based payments reserve directly contributable to the options exercised, was credited to “share premium” with a total amount of RMB1,750 thousand. Set below are summaries of options granted and forfeited under the plan for the year ended 31 December 2021:

	Year ended 31 December 2021	
	Average exercise price in HK$ per share option	Number of share options (thousands)
As at 1 January	0.62	25,269
Granted	—	—
Exercised	0.62	(2,566)
Forfeited	0.62	(22,703)
Aa at 31 December	—	—
Vested and exercisable at 31 December 2021	—	—

(All amounts in RMB thousands unless otherwise stated)

36 RETAINED EARNINGS

	As at 31 December	
	2022	2021
At 1 January	662,597	575,428
Net profit attributable to the owners of the Company for the year	41,057	87,169
Dividends provided for or paid	(37,329)	—
At 31 December	666,325	662,597

37 OTHER CURRENT LIABILITIES

	As at 31 December	
	2022	2021
Construction payables	34,844	51,114
Advance from transferee of financial assets	25,471	2,762
Advances on sales	8,609	5,303
Accrued employee benefits	7,871	7,106
Turnover tax and other tax payable	1,992	1,746
Redemption deposit	—	4,990
Provisions to financial guarantees	—	1,873
Other financial liabilities	12,048	8,463
	90,835	83,357

As at 31 December 2022, the Group's other financial liabilities are non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2021: same).

(All amounts in RMB thousands unless otherwise stated)

38 BORROWINGS

	As at 31 December	
	2022	2021
Non-current		
Bank borrowings (a)	**197,000**	89,380
Current		
Bank borrowings (b)	**402,128**	506,280
Borrowings from other companies (c)	**52,000**	—
Borrowings from micro-finance companies (d)	**45,500**	—
Borrowings from the Group's employees (e)	**32,600**	—
	532,228	506,280
	729,228	595,660

The Group's borrowings are all denominated in RMB.

(a) As at 31 December 2022, non-current bank borrowing bears floating interest rate of the 5-year Loan Prime Rate minus 35 bps, with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years (31 December 2021: non-current bank borrowing with principal amount of RMB89.4 million is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. ("Wuzhong Group")). As at 31 December 2022, there are no undrawn bank borrowing facilities (31 December 2021: the undrawn bank borrowing facilities are RMB4.1 million).

(b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.4% to 5.2% per annum as at 31 December 2022 (31 December 2021: fixed rate from 3.4% to 5.5%).

As at 31 December 2022, bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million) (Note 33).

As at 31 December 2022, bank borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) are secured by structured deposits of RMB49.5 million (31 December 2021: RMB59.5 million).

As at 31 December 2022, bank borrowings with principal amount of RMB100.0 million (31 December 2021: RMB120.2 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) ("Wuzhong Jiaye") and the Ultimate Shareholders (Note 42(b)).

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million are guaranteed by Wuzhong Group (31 December 2021: nil) (Note 42(b)).

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million (31 December 2021: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

(All amounts in RMB thousands unless otherwise stated)

38 BORROWINGS (Continued)

(c) As at 31 December 2022, borrowings from other companies bear a fixed interest rate of 9.0% (2021: nil).

(d) As at 31 December 2022, borrowings from micro-finance companies with principal amount of RMB9.5 million are guaranteed by Wuzhong Jiaye (31 December 2021: nil) (Note 42(b)).

(e) As at 31 December 2022, borrowings from the Group's employees bear a fixed interest rate of 8.0% (2021: nil).

39 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2022	2021
Profit before income tax from		
Continuing operations	**87,468**	146,513
Discontinuing operations	**—**	—
Profit before income tax including discontinued operations	**87,468**	146,513
Adjustments for		
Depreciation and amortisation	**6,576**	5,007
Net gains on derecognition of financial assets measured at amortized cost	**(3,787)**	(534)
Interest expense	**31,877**	25,577
Net exchange differences	**(1,127)**	346
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Decrease in term deposit with banks	**131,892**	76,576
(Increase)/Decrease in financial assets at fair value through profit or loss	**(31,304)**	14,819
Decrease/(Increase) in Investment properties measured at fair value	**10,729**	(110,422)
Increase in trade receivables	**(24,298)**	(5,776)
Decrease/(Increase) in other current assets	**13,073**	(19,929)
Increase in loans to customers	**(289,874)**	(727)
Increase in other current liabilities	**21,621**	4,127
Cash (used in)/generated from operations	**(47,154)**	135,577

(All amounts in RMB thousands unless otherwise stated)

39 CASH FLOW INFORMATION (Continued)

(b) Net debt reconciliation

Net debt	As at 31 December 2022	2021
Cash and cash equivalents	**196,805**	234,781
Borrowings	**(729,228)**	(595,660)
Net debt	**(532,423)**	(360,879)

	Other current assets Cash/bank overdraft	Liabilities from financing activities Borrowings	Total
Net debt as at 1 January 2021	103,919	(510,369)	(406,450)
Cash flows	131,208	(85,291)	45,917
Foreign exchange adjustments	(346)	—	(346)
Net debt as at 31 December 2021	234,781	(595,660)	(360,879)
Net debt as at 1 January 2022	**234,781**	**(595,660)**	**(360,879)**
Cash flows	**(39,103)**	**(133,568)**	**(172,671)**
Foreign exchange adjustments	**1,127**	**—**	**1,127**
Net debt as at 31 December 2022	**196,805**	**(729,228)**	**(532,423)**

40 CONTINGENCIES

As at 31 December 2022, the Group does not have any significant contingent liabilities (31 December 2021: the Group did not have any significant contingent liabilities except for the Group's normal guarantee business in the amount of RMB47.0 million).

(All amounts in RMB thousands unless otherwise stated)

41 COMMITMENTS

Capital commitments

	As at 31 December	
	2022	2021
Suzhou Cibei Management Consulting partnership (LP) ("Suzhou Cibei") (a)	**20,495**	29,025
Suzhou Qianhui Tongcui Venture Capital Partnership (LP) ("Qianhui Tongcui") (b)	**10,000**	—
Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP) ("Tiankai Huirui") (c)	**10,000**	—
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP) ("Kangli Junzhuo") (d)	**8,000**	—
Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP) ("Suzhou Qianrong") (e)	**8,000**	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (f)	**2,000**	5,000
	58,495	34,025

(a) The committed capital injection to Suzhou Cibei is RMB45.0 million, of which RMB20.5 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB29.0 million).

(b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(c) The committed investment injection to Tiankai Huirui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(e) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).

(f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB5.0 million).

(All amounts in RMB thousands unless otherwise stated)

42 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or excise significant influence over the other party in making financial and operating decisions of the Group. Parties are also considered to be related if they are subject to common control. Members of directors, key management and their close family member are also considered as related parties.

Names of related parties	Nature of relationship
Wuzhong Jiaye	Direct equity holder of Wuzhong Pawnshop and controlled by the Ultimate Shareholders
Wuzhong Group	Controlled by the Ultimate Shareholders
BVI companies wholly owned by each of the Ultimate Shareholders ("BVI entities owned by the Ultimate Shareholders")	Related parties controlled by each of the Ultimate Shareholders
Tricor Services Limited ("卓佳專業商務有限公司") ("Tricor")	Company Secretary
Shenzhen Zuanying Internet Co., Ltd. (深圳鑽盈互聯網有限公司) ("Shenzhen Zuanying")	Associate of the Group
Suzhou Cibei Management Consulting partnership (LP) (蘇州次貝企業管理諮詢合夥企業(有限合夥)) ("Suzhou Cibei")	Associate of the Group

(b) Significant transactions with related parties

	As at 31 December	
	2022	2021
Interest expenses paid to Wuzhong Group	**178**	200
Bank borrowings guaranteed by Wuzhong Jiaye and the Ultimate Shareholders (in principal amount at year-end) *(Note 38(b))*	**100,000**	120,198
Bank borrowings guaranteed by Wuzhong Group (in principal amount at year-end) *(Note 38(a)(b))*	**30,000**	95,380
Borrowings from micro-finance companies guaranteed by Wuzhong Jiaye (in principal amount at year-end) *(Note 38(d))*	**9,500**	—

(c) Balances with related parties

	As at 31 December	
	2022	2021
Amounts due to related parties		
Due to BVI entities owned by the Ultimate Shareholders	**633**	633
	633	633

As at 31 December 2022, the amounts due to executive directors is RMB2.0 million (31 December 2021: nil) (Note 18(b)).

(All amounts in RMB thousands unless otherwise stated)

42 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel compensation

Key management comprises six members including the executive directors, the vice president, the assistant to the president and the chief risk officer. The compensation paid or payable to key management for employee services is shown below:

	As at 31 December	
	2022	2021
Basic salaries	**2,756**	2,006
Discretionary bonuses	**2,021**	2,827
Pension and other social security obligations	**692**	489
	5,469	5,322

As at 31 December 2022, there is no balance of loan to customer or borrowings held by directors or key management (31 December 2021: same).

(e) Key management personnel services provided by management entity

For the year ended 31 December 2022, the Group paid RMB401 thousand to Tricor Services Limited for the company secretary services (2021: RMB375 thousand).

43 SUBSEQUENT EVENTS

A dividend in respect of the year ended 31 December 2022 of HK$0.03 per share, amounting to a total dividend of HK$32.7 million (equivalent to approximately RMB 29.2 million), is to be proposed at the 2022 annual general meeting (2021: HK$0.04 per share, amounting to a total dividend of HK$43.6 million (equivalent to approximately RMB 38.0 million)). These financial statements do not reflect this dividend payable.

(All amounts in RMB thousands unless otherwise stated)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2022	2021
ASSETS		
Non-current assets		
Investments in subsidiaries	**362,718**	362,718
Current assets		
Amounts due from related parties	**615,260**	616,528
Dividends receivable	**45,030**	38,030
Cash at bank and cash on hand	**467**	1,389
Total current assets	**660,757**	655,947
Total assets	**1,023,475**	1,018,665
EQUITY AND LIABILITIES		
Equity attributable to the equity holders of the Company		
Share capital	**8,662**	8,662
Share premium	**1,006,451**	1,006,451
Other reserves	**6,533**	6,533
Accumulated losses	**(1,455)**	(6,702)
Total equity	**1,020,191**	1,014,944
Liabilities		
Current liabilities		
Amounts due to related parties	**633**	633
Dividends payable	**1,262**	1,262
Other current liabilities	**1,389**	1,826
Total liabilities	**3,284**	3,721
Total equity and liabilities	**1,023,475**	1,018,665

The balance sheet of the Company was approved by the Board of Directors on 28 March 2023 and was signed on its behalf

Wu Min	**Zhang Changsong**	**Wang Fei**
Executive Director	*Chief Financial Officer*	*Finance Director*

(All amounts in RMB thousands unless otherwise stated)

44 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

	Share Premium	Other Reserve	Retained earnings
At 1 January 2021	1,004,701	6,984	(3,941)
Loss for the year	—	—	(2,761)
Dividends provided for or paid	—	—	—
Share-based payments — Value of employee services	1,750	(451)	—
At 31 December 2021	1,006,451	6,533	(6,702)
At 1 January 2022	**1,006,451**	**6,533**	**(6,702)**
Profit for the year	**—**	**—**	**42,576**
Dividends provided for or paid	**—**	**—**	**(37,329)**
At 31 December 2022	**1,006,451**	**6,533**	**(1,455)**

(All amounts in RMB thousands unless otherwise stated)

45 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive is set out below:

	Salaries	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Estimated monetary value of other benefits	Fees	Total
Year ended 31 December 2022						
Executive directors:						
WU Min (吳敏)	764	500	42	72	–	1,378
Qiu Wei (邱蔚) (a)	720	300	24	73	–	1,117
Zhang Chang'song (張長松)	660	421	42	88	–	1,211
Yao Wenjun (姚文軍) (a)	216	898	42	88	–	1,244
Independent non-executive directors:						
LIANG Jian'hong (梁劍虹)	–	–	–	–	283	283
TSE Yat Hong (謝日康)	–	–	–	–	283	283
FENG Ke (馮科)	–	–	–	–	283	283
Non-executive directors:						
ZHUO You (卓有) (b)	–	–	–	–	–	–
ZHANG Shu (張姝)	–	–	–	–	–	–
ZHANG Cheng (張成) (b)	–	–	–	–	–	–
LING Xiao'ming (凌曉明)	–	–	–	–	–	–
	2,360	2,119	150	321	849	5,799

(a) Qiu Wei and Yao Wenjun have been appointed to be the executive directors from 26 May 2022.

(b) Zhuo You and Zhang Cheng ceased to be non-executive directors from 26 May 2022.

(All amounts in RMB thousands unless otherwise stated)

45 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each director and the chief executive is set out below: (Continued)

	Salaries	Discretionary bonuses	Employer's contribution to a retirement benefit scheme	Estimated monetary value of other benefits	Fees	Total
Year ended 31 December 2021						
Executive directors:						
WU Min (吳敏)	764	680	58	52	–	1,554
Qiu Wei (邱蔚)	150	60	–	14	–	224
ZHANG Chang'song (張長松)	660	515	58	69	–	1,302
Independent non-executive directors:						
ZHANG Hua'qiao (張化橋)	–	–	–	–	111	111
LIANG Jian'hong (梁劍虹)	–	–	–	–	163	163
TSE Yat Hong (謝日康)	–	–	–	–	274	274
FENG Ke (馮科)	–	–	–	–	274	274
Non- executive directors:						
ZHUO You (卓有)	–	–	–	–	–	–
ZHANG Shu (張姝)	–	–	–	–	–	–
ZHANG Cheng (張成)	–	–	–	–	–	–
LING Xiao'ming (凌曉明)	–	–	–	–	–	–
	1,574	1,255	116	135	822	3,902

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meaning set out below.

"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time)
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of our Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Changsha Pawnshop"	Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司), a limited liability company established in the PRC on 9 December 2021, which is an indirect wholly-owned subsidiary of our Company
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 11 November 2011, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"Contractual Arrangements"	a series of contracts entered into by Huifang Tongda, Huifang Technology, the PRC Operating Entity, Wuzhong Jiaye, Hengyue Consulting and the PRC Shareholders (as the case may be), details of which are described in the section headed "Our History and Reorganisation — Contractual Arrangements" in the Prospectus
"Director(s)"	the director(s) of our Company
"Dongshan Micro-finance"	Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.* (蘇州市吳中區東山農村小額貸款有限公司), a limited liability company established in the PRC on 26 December 2012, which is an indirect holding subsidiary of our Company
"EIT Law"	the Enterprise Income Tax Law of the People's Republic of China
"Global Offering" or "IPO"	the Hong Kong public offering and the international offering of Shares
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries and the PRC Operating Entity (the financial results of which have been consolidated and accounted for as the subsidiary of our Company by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)

"Hengyue Consulting"	Suzhou Xinqu Hengyue Management Consulting Co., Ltd.* (蘇州新區恒悦管理諮詢有限公司), a limited liability company established under the laws of the PRC on 22 October 2007, one of the direct shareholders of the PRC Operating Entity
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huida Factoring"	Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司), a limited liability company established in the PRC on 30 May 2016, which is an indirect holding subsidiary of our Company
"Huifang Anda"	Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司), a limited liability company established in the PRC on 16 November 2004, formerly known as Nanjing Shun'an Insurance Agency Company Limited* (南京舜安保險代理有限公司), which is an indirect holding subsidiary of our Company
"Huifang Rongcui"	Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) , a limited liability company established in the PRC on 29 June 2021, which is an indirect holding subsidiary of our Company
"Huifang Jiada"	Suzhou Huifang Jiada Information Technology Company Limited* (蘇州匯方嘉達資訊科技有限公司), a limited liability company established in the PRC on 15 December 2016, which is an indirect wholly-owned subsidiary of our Company
"Huifang Rongda"	Suzhou Huifang Rongda Internet Technology Company Limited* (蘇州匯方融達網路科技有限公司), a limited liability company established in the PRC on 8 May 2015, which is an indirect wholly-owned subsidiary of our Company
"Huifang Rongtong"	Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)), a limited partnership company established in the PRC on 1 September 2017, which is an indirect holding subsidiary of our Company
"Huifang Supply Chain"	Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司), a limited liability company established in the PRC on 25 May 2018, which is an indirect wholly-owned subsidiary of our Company
"Huifang Technology"	Suzhou Huifang Management Consulting Co., Ltd.* (蘇州匯方管理諮詢有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on 29 December 2011, which is an indirect wholly owned subsidiary of our Company. On 12 December 2013, the name of Suzhou Huifang Management Consulting Co. Ltd.* (蘇州匯方管理諮詢有限公司) was changed to Suzhou Huifang Technology Co. Ltd.* (蘇州匯方科技有限公司) upon the approval from Administration for Industry and Commercial of Suzhou, Jiangsu

"Huifang Tongcui"	Suzhou Huifang Tongcui Enterprise Management Consulting Partnership (Limited Partnership)* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 23 May 2022, which is an indirect holding subsidiary of our Company
"Huifang Investment"	Huifang Investment Limited* (匯方投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 5 December 2011 and a wholly-owned subsidiary of our Company
"Huifang Tongda"	Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司), a limited liability company established in the PRC on 10 February 2012 which is an indirect wholly-owned subsidiary of our Company. On 11 December 2013, the name of Suzhou Huifang Tongda Management Consulting Co., Ltd* (蘇州匯方同達管理諮詢有限公司) was changed to Suzhou Huifang Tongda Information Technology Co., Ltd* (蘇州匯方同達信息科技有限公司) upon the approval from Administration for Industry and Commercial of Wuzhong, Suzhou
"Huirong Culture"	Suzhou Huirong Culture and Art Co., Ltd * (蘇州匯融文化藝術有限公司), a limited liability company established in the PRC on 11 November 2022, which is an indirect wholly-owned subsidiary of our Company
"Qingdao Wanchen"	Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司), a limited liability company established in the PRC on 31 October 2019 which is an indirect wholly-owned subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	28 October 2013 on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nanchang Pawnshop"	Nanchang Huifang Pawnshop Co., Ltd.* (南昌市匯方典當有限責任公司), a limited liability company established in the PRC On 2 December 2022, which is an indirect holding subsidiary of our Company
"Nanjing Yiling"	Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓴文化藝術有限公司), a limited liability company established in the PRC on 8 May 2021, which is an indirect holding subsidiary of our Company
"PRC Operating Entity" or "Wuzhong Pawnshop"	Suzhou Wuzhong Pawnshop Co., Ltd.* (蘇州市吳中典當有限責任公司), a limited liability company established under the laws of the PRC on 21 December 1999, formerly known as 吳縣市吳中典當行有限公司 (Wuxian Wuzhong Pawnshop Co., Ltd.), a company which we do not own but the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements

"PRC Shareholders"	Mr. Zhu Tianxiao, Mr. Zhang Xiangrong, Mr. Ge Jian, Mr. Chen Yannan, Mr. Wei Xingfa, Mr. Yang Wuguan and Mr. Zhuo You, who are the ultimate and indirect shareholders of the Company. Except for Mr. Zhuo You, who is a non-executive Director of the Company, none of the other PRC Shareholders is a director or chief executive member of the Company
"Prospectus"	prospectus of the Company dated 16 October 2013 in relation to the Global Offering
"Reorganisation"	the reorganisation of the Group in preparation of the Listing, details of which are set out in the section headed "Our History and Reorganisation — Reorganisation" in the Prospectus
"Reporting Year"	the year ended 31 December 2022
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares(s) in the capital of the Company with normal value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Sichuan Aomeishu"	Sichuan Aomeishu Technology Company Ltd* (四川奧美殊科技有限公司), a limited liability company established in the PRC on 17 July 2015, which is an indirect wholly-owned subsidiary of our Company
"Sifang Investment"	Sifang Investment Limited* (四方投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou Cibei"	Suzhou Cibei Management Consulting Partnership (LP)* (蘇州次貝企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 16 April 2021, the Company indirectly jointly controls it
"Tongda Investment"	Tongda Investment Limited* (同達投資有限公司), a limited liability company incorporated under the laws of the British Virgin Islands on 22 November 2011 and a wholly-owned subsidiary of the Company with no substantial business activity
"Track Record Period"	the four fiscal years of our Company ended 31 December 2011, 2012, 2013 and 2014
"Ultimate Shareholders"	Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有)
"Wuzhong Group"	Jiangsu Wuzhong Group Co., Ltd.* (江蘇吳中集團有限公司), a limited liability company established under the laws of the PRC on 26 May 1992, formerly known as Jiangsu Wuzhong Group Co.* (江蘇吳中集團公司)

"Wuzhong Jiaye"	Jiangsu Wuzhong Jiaye Group Co., Ltd.* (江蘇吳中嘉業集團有限公司), a limited liability company established under the laws of the PRC on 25 April 2005, formerly known as Jiangsu Wuzhong Jiaye Investment Co., Ltd.* (江蘇吳中嘉業投資有限公司), one of the direct shareholders of the PRC Operating Entity
"Wuzhong Real Estate"	Jiangsu Wuzhong Real Estate Group Co., Ltd.* (江蘇吳中地產集團有限公司), a limited liability company established under the laws of the PRC on 13 August 1992, formerly known as Jiangsu Wuzhong Dongwu Property Development Co.* (江蘇吳中東吳產業開發公司), Wuxian Dongwu Property Development Co.* (吳縣市東吳產業開發公司), and Jiangsu Wuzhong Dongwu Property Development Co., Ltd.* (江蘇吳中東吳產業開發有限公司)

* *For identification purpose only*

In this annual report, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

The glossary contains explanations of certain terms and definitions used in this annual report in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average loan amount"	the aggregate outstanding loan amount of a certain type of loans divided by the number of outstanding loans of that type as of an indicate date
"CAGR"	compound annual growth rate
"charge-off ratio"	impairment charge for an indicated period divided by ending balance of the gross amount of loans to customers of the same period and multiplied by 100%
"cost to income ratio"	administrative expenses of an indicated period divided by net revenue of the same period and multiplied by 100%
"gross loan yield"	interest income from loans to customers of an indicated period divided by the average of the beginning and the ending balances of gross loan amount multiplied by 100%
"impaired loan ratio"	the aggregate amount of individually impaired loans as of an indicated date divided by the gross amount of loans to customers as of the same date and multiplied by 100%
"appraised loan-to-value ratio"	the outstanding principal amount of a loan as of the calculation date divided by the appraised value of the underlying collateral securing such loan as decided in the loan application review process and multiplied by 100%
"net interest margin"	net interest income for an indicated period divided by the average of the beginning and the ending balance of interest earning assets of the same period, which equals the sum of the ending balances of (i) loans to customers and (ii) deposit with banks and multiplied by 100%
"return on average assets"	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total assets of the same period and multiplied by 100%
"return on average equity"	profit attributable to equity holders for an indicated period divided by the average of the beginning and the ending balances of total equity of the same period and multiplied by 100%
"Memorandum of Association and Articles of Association"	the memorandum of association and articles of association of our Company (as amended from time to time)

CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司