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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS			
	For the year ended or as at 31 December		
	2021	2020	Change
	RMB'000	RMB'000	%
Operating Results			
Operating income	367,825	259,806	42%
Operating cost	120,651	39,013	209%
Profit attributable to owners of the Company	87,169	2,216	3834%
Basic earnings per share (RMB Yuan)	0.080	0.002	3900%
	As at 31 December		
	2021	2020	Change
	RMB'000	RMB'000	%
Financial Position			
Total assets	2,836,195	2,532,555	12%
Total liabilities	742,461	590,657	26%
Loans to customers	1,815,077	1,814,211	0%
Net assets	2,093,734	1,941,898	8%

The board of directors (the “**Board**”) of China Huirong Financial Holdings Limited (the “**Company**” or “**China Huirong**”) hereby announces the audited annual results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Year**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

		Year ended 31 December	
	Note	2021	2020
Interest income	5	269,276	250,843
Revenue from commodities trading	6	93,108	—
Consultancy fee income	7	601	1,916
Commission fee income	8	<u>4,840</u>	<u>7,047</u>
Operating income		367,825	259,806
Interest expense	9	(25,577)	(32,880)
Costs for commodities trading	6	(92,362)	—
Commission fee expense	8	<u>(2,712)</u>	<u>(6,133)</u>
Operating cost		(120,651)	(39,013)
Net investment gains/(losses)	10	117,310	(4,919)
Credit impairment losses	11	(153,849)	(125,016)
Net gains/(losses) on derecognition of financial assets measured at amortized cost	12	534	(258)
Other operating income	13	<u>1,042</u>	<u>1,511</u>
Net operating income		212,211	92,111
General and administrative expenses		(62,906)	(52,649)
Other losses, net	14	<u>(2,792)</u>	<u>(17,652)</u>
Operating profit and profit before income tax		146,513	21,810
Income tax expense	15	<u>(45,799)</u>	<u>(12,038)</u>
Profit for the year		<u>100,714</u>	<u>9,772</u>

		Year ended 31 December	
	<i>Note</i>	2021	2020
Profit is attributable to:			
— Owners of the Company		87,169	2,216
— Non-controlling interests		<u>13,545</u>	<u>7,556</u>
Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)			
— Basic earnings per share	<i>16</i>	0.080	0.002
— Diluted earnings per share	<i>16</i>	<u>0.080</u>	<u>0.002</u>
Other comprehensive income for the year, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>100,714</u>	<u>9,772</u>
Total comprehensive income for the year is attributable to:			
— Owners of the Company		87,169	2,216
— Non-controlling interests		<u>13,545</u>	<u>7,556</u>

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 2021

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	18	53,274	841
Properties under development	19	—	11,769
Right-of-use assets		20,903	43,961
Investments accounted for using the equity method	20	17,475	1,500
Investment properties	21	203,698	1,621
Intangible assets		2,238	3,373
Loans to customers	23	202,993	110,762
Deferred income tax assets	22(a)	89,882	87,744
Financial asset at fair value through profit or loss	24	—	440
Total non-current assets		590,463	262,011
Current assets			
Inventories		17,707	—
Other current assets		39,545	25,036
Commission fee receivables		6	557
Loans to customers	23	1,612,084	1,703,449
Financial assets at fair value through profit or loss	24	93,043	107,422
Cash at bank and cash on hand	25	483,347	434,080
Total current assets		2,245,732	2,270,544
Total assets		2,836,195	2,532,555

		As at 31 December	
	<i>Note</i>	2021	2020
EQUITY			
Equity attributable to the owners of the Company			
Share capital	26	8,662	8,641
Share premium	27	604,478	602,728
Other reserves	27	593,122	593,774
Retained earnings	28	<u>662,597</u>	<u>575,428</u>
		1,868,859	1,780,571
Non-controlling interests		<u>224,875</u>	<u>161,327</u>
Total equity		<u>2,093,734</u>	<u>1,941,898</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		4,540	6,491
Borrowings	30	89,380	50,380
Deferred income tax liabilities	22(b)	<u>22,427</u>	<u>—</u>
Total non-current liabilities		<u>116,347</u>	<u>56,871</u>
Current liabilities			
Other current liabilities	29	83,357	22,552
Current income tax liabilities		30,253	21,813
Amounts due to related parties		633	25,672
Dividends payable		2,678	1,262
Lease liabilities		2,913	2,498
Borrowings	30	<u>506,280</u>	<u>459,989</u>
Total current liabilities		<u>626,114</u>	<u>533,786</u>
Total liabilities		<u>742,461</u>	<u>590,657</u>
Total equity and liabilities		<u>2,836,195</u>	<u>2,532,555</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to the owners of the Company				Total	Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings			
Balance at 31 December 2019		8,632	601,993	596,266	586,212	1,793,103	155,341	1,948,444
Profit for the year		—	—	—	2,216	2,216	7,556	9,772
Total comprehensive income for the year		—	—	—	2,216	2,216	7,556	9,772
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	27(a)	9	735	(187)	—	557	—	557
Transactions with non-controlling interests		—	—	(555)	—	(555)	(29,445)	(30,000)
Capital movement of non-controlling interests	27(b)	—	—	(1,750)	—	(1,750)	41,750	40,000
Dividends declared or paid		—	—	—	(13,000)	(13,000)	(13,875)	(26,875)
Total transactions with owners in their capacity as owners		9	735	(2,492)	(13,000)	(14,748)	(1,570)	(16,318)
Balance at 31 December 2020		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898

	<u>Attributable to the owners of the Company</u>					Total	Non- controlling Interests	Total equity
	<i>Note</i>	Share Capital	Share premium	Other reserves	Retained earnings			
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		<u>—</u>	<u>—</u>	<u>—</u>	<u>87,169</u>	<u>87,169</u>	<u>13,545</u>	<u>100,714</u>
Total comprehensive income for the year		<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>87,169</u></u>	<u><u>87,169</u></u>	<u><u>13,545</u></u>	<u><u>100,714</u></u>
Transactions with owners in their capacity as owners								
Issue of ordinary shares under employee share scheme	27(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	27(b)	—	—	(201)	—	(201)	35,201	35,000
Dividends declared or paid		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,448)</u>	<u>(11,448)</u>
Total transactions with owners in their capacity as owners		<u>21</u>	<u>1,750</u>	<u>(652)</u>	<u>—</u>	<u>1,119</u>	<u>50,003</u>	<u>51,122</u>
Balance at 31 December 2021		<u><u>8,662</u></u>	<u><u>604,478</u></u>	<u><u>593,122</u></u>	<u><u>662,597</u></u>	<u><u>1,868,859</u></u>	<u><u>224,875</u></u>	<u><u>2,093,734</u></u>

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 2021

(All amounts in RMB thousands unless otherwise stated)

	<i>Note</i>	Year ended 31 December	
		2021	2020
Cash flows from operating activities			
Cash generated from operating activities		135,577	455,722
Interest received from bank deposits		5,019	17,352
Interest paid		(25,067)	(33,546)
Income tax paid		(17,070)	(28,746)
		<u>98,459</u>	<u>410,782</u>
Net cash inflow from operating activities			
Cash flows from investing activities			
Payments for acquisition of an affiliate		(15,975)	—
Payments for property, plant and equipment		(28,870)	(16)
Payments for intangible asset		(78)	(537)
Payments for properties under development		—	(6,706)
Payments for investment property		(30,746)	—
		<u>(75,669)</u>	<u>(7,259)</u>
Net cash outflow from investing activities			
Cash flows from financing activities			
Proceeds from borrowings		712,510	1,291,259
Proceeds from issuance of shares under share-based payments		1,320	557
Repayments of borrowings		(652,349)	(1,750,986)
Repayments of lease liabilities		(4,281)	(3,126)
Transactions with non-controlling interests		—	(30,000)
Capital movement of non-controlling interests	27(b)	61,250	40,000
Dividends paid to owners of the Company		—	(13,000)
Dividends paid to non-controlling interests		(10,032)	(13,875)
		<u>108,418</u>	<u>(479,171)</u>
Net cash inflow/(outflow) from financing activities			
Net increase/(decrease) in cash and cash equivalents			
		131,208	(75,648)
Cash and cash equivalents at beginning of year		103,919	181,038
Effects of exchange rate changes on cash and cash equivalents		(346)	(1,471)
		<u>234,781</u>	<u>103,919</u>
Cash and cash equivalents at end of year	25	<u>234,781</u>	<u>103,919</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the “Company”) is 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.

These consolidated financial statements have been approved and authorized for issue by the Board of Directors on 25 March 2022.

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.

(c) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting year commencing 1 January 2021:

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

The Group also elected to adopt the following amendments early.

- *Annual Improvements to HKFRS Standards 2018–2020 Cycle.*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12.*
- *Covid-19-Related Rent Concessions beyond 30 June 2021.*

The amendments listed above did not have any significant impact on the amounts recognized in prior and current periods and are not expected to significantly affect the future periods.

(d) *New standards and interpretations relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2021 by the Group*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

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).

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 in stage 3;
- 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.

(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.

3.2 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. 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 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 2021 (2020: The Group manages its business under four operating and reportable segments).

(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.

As there is no longer any business operation of the Online lending intermediary business division, the Group ceased this division for the year ended 31 December 2021.

(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 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)
Profit before income tax	<u>50,579</u>	<u>11,883</u>	<u>84,883</u>	<u>(832)</u>	<u>146,513</u>
Capital expenditure	<u>(1,163)</u>	<u>(18)</u>	<u>(78,085)</u>	<u>—</u>	<u>(79,266)</u>

As at 31 December 2021					
	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
Segment assets	1,926,040	395,872	3,229,062	(2,714,779)	2,836,195
Segment liabilities	<u>(168,332)</u>	<u>(100,786)</u>	<u>(624,829)</u>	<u>151,486</u>	<u>(742,461)</u>

For the year ended 31 December 2020

	Inclusive finance business division	Ecology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
External operating income	217,439	11,037	1,886	6,049	23,395	—	259,806
Internal operating income	1,450	—	—	—	—	(1,450)	—
External operating cost	(12,694)	(132)	—	(6,133)	(20,054)	—	(39,013)
Internal operating cost	(39)	—	—	—	(1,450)	1,489	—
Net investment losses	—	—	—	—	(4,919)	—	(4,919)
Credit impairment losses	(121,413)	(1,278)	—	—	(2,325)	—	(125,016)
Net losses on derecognition of financial assets measured at amortized cost	(258)	—	—	—	—	—	(258)
Other operating income	702	644	13	49	142	(39)	1,511
General and administrative expenses	(17,416)	(6,628)	(2,290)	(1,634)	(24,681)	—	(52,649)
Other (losses)/gains, net	101	(2,187)	—	—	(15,566)	—	(17,652)
Profit/(Loss) before income tax	<u>67,872</u>	<u>1,456</u>	<u>(391)</u>	<u>(1,669)</u>	<u>(45,458)</u>	<u>—</u>	<u>21,810</u>
Capital expenditure	<u>(81)</u>	<u>88</u>	<u>(138)</u>	<u>—</u>	<u>(7,128)</u>	<u>—</u>	<u>(7,259)</u>

As at 31 December 2020

	Inclusive finance business division	Ecology finance business division	Online lending intermediary business division	Insurance brokerage business division	Headquarters and others	Elimination	Total
Segment assets	1,876,635	183,769	18,845	4,719	2,797,726	(2,349,139)	2,532,555
Segment liabilities	<u>(182,463)</u>	<u>(62,936)</u>	<u>(14)</u>	<u>(58)</u>	<u>(460,148)</u>	<u>114,962</u>	<u>(590,657)</u>

5 INTEREST INCOME

	Year ended 31 December	
	2021	2020
Interest income from loans to customers		
— Secured loans to customers	158,493	139,478
— Unsecured loans to customers	104,066	98,195
Interest income from bank deposits	<u>6,717</u>	<u>13,170</u>
	<u><u>269,276</u></u>	<u><u>250,843</u></u>

6 REVENUE FROM AND COSTS FOR COMMODITIES TRADING

	Year ended 31 December	
	2021	2020
Revenue from commodities trading		
— <i>As principal</i>	92,964	—
— <i>As agent</i>	<u>144</u>	<u>—</u>
	<u><u>93,108</u></u>	<u><u>—</u></u>
Costs for commodities trading		
— <i>As principal</i>	<u>(92,362)</u>	<u>—</u>
	<u><u>(92,362)</u></u>	<u><u>—</u></u>

7 CONSULTANCY FEE INCOME

	Year ended 31 December	
	2021	2020
Loan consultancy fee income	601	44
P2P platform consultancy fee income	—	1,865
Other consultancy fee income	<u>—</u>	<u>7</u>
	<u><u>601</u></u>	<u><u>1,916</u></u>

8 COMMISSION FEE INCOME AND EXPENSE

	Year ended 31 December	
	2021	2020
Commission fee income		
Commission fee income from guarantee business	2,867	1,002
Insurance agency commission fee income	1,973	6,032
Other commission fee income	<u>—</u>	<u>13</u>
	<u>4,840</u>	<u>7,047</u>
Commission fee expense		
Insurance agency commission fee expense	<u>2,712</u>	<u>6,133</u>
	<u>2,712</u>	<u>6,133</u>

9 INTEREST EXPENSE

	Year ended 31 December	
	2021	2020
Interest expense on bank borrowings	24,088	29,462
Interest expense on micro-finance company borrowings	650	2,924
Other interest expenses	<u>839</u>	<u>494</u>
	<u>25,577</u>	<u>32,880</u>

10 NET INVESTMENT GAINS/(LOSSES)

	Year ended 31 December	
	2021	2020
Fair value gains — investment properties (<i>Note 21</i>)	110,422	—
Fair value gains/(losses) — financial assets at fair value through profit or loss	5,318	(2,401)
Fair value losses — derivative financial instruments	—	(7,952)
Cash dividend of listed equity securities	1,581	1,382
Net (losses)/gains from disposal of financial assets	<u>(11)</u>	<u>4,052</u>
	<u>117,310</u>	<u>(4,919)</u>

11 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Credit impairment losses on loans to customers	154,244	124,783
Credit impairment losses on financial guarantees	261	1,612
Credit impairment losses on other current assets	<u>(656)</u>	<u>(1,379)</u>
	<u>153,849</u>	<u>125,016</u>

12 NET GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

On derecognition of a loan to customers in entirety, the difference between the asset's carrying amount and total consideration received and receivable is recognized in net gains/(losses) on derecognition of financial assets measured at amortized cost.

13 OTHER OPERATING INCOME

	Year ended 31 December	
	2021	2020
Rental income	492	568
Software development revenue	330	—
Net gains from disposal of repossessed assets	71	659
Others	<u>149</u>	<u>284</u>
	<u>1,042</u>	<u>1,511</u>

14 OTHER LOSSES, NET

	Year ended 31 December	
	2021	2020
Net foreign currency losses	(3,303)	(18,005)
Government grants	511	333
Others	<u>—</u>	<u>20</u>
	<u>(2,792)</u>	<u>(17,652)</u>

15 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2021	2020
<i>Current tax</i>		
Current tax on profits for the year	<u>25,510</u>	<u>23,344</u>
Total current tax expense	<u>25,510</u>	<u>23,344</u>
Increase in deferred tax assets (<i>Note 22</i>)	(7,316)	(11,306)
Increase in deferred tax liabilities (<i>Note 22</i>)	<u>27,605</u>	<u>—</u>
Total deferred tax expense/(benefit)	<u>20,289</u>	<u>(11,306)</u>
Income tax expense	<u>45,799</u>	<u>12,038</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Year ended 31 December	
	2021	2020
Operating profit and profit before income tax	<u>146,513</u>	<u>21,810</u>
Tax calculated at domestic tax rates applicable to profits in the respective areas	37,128	6,892
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	472	397
— Investment income attributable to non-controlling interests	439	(321)
— Cash dividends of listed equity securities	(395)	(346)
— Sundry items	<u>165</u>	<u>168</u>
Subtotal	37,809	6,790
Reversal of previously recognized deferred tax assets	557	36
Unused tax losses for which no deferred tax asset has been recognized	1,704	5,889
Previously unrecognized tax losses now recouped to reduce current tax expense	(562)	—
Adjustments for current tax of prior years	(349)	(677)
PRC withholding tax	<u>6,640</u>	<u>—</u>
Income tax expense	<u>45,799</u>	<u>12,038</u>

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.

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 25% 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 50% of the taxable income amount.

Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China.

(c) **Tax losses**

	Year ended 31 December	
	2021	2020
Unused tax losses for which no deferred tax asset has been recognized at 25%	2,884	20,181
Unused tax losses for which no deferred tax asset has been recognized at 16.5%	5,960	4,534
Unused tax losses for which no deferred tax asset has been recognized at 10%	<u>—</u>	<u>962</u>
Unused tax losses for which no deferred tax asset has been recognized	<u>8,844</u>	<u>25,677</u>
Potential tax benefit at 25%	721	5,045
Potential tax benefit at 16.5%	983	748
Potential tax benefit at 10%	<u>—</u>	<u>96</u>
Potential tax benefit	<u>1,704</u>	<u>5,889</u>

16 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	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	87,169	2,216
Weighted average number of ordinary shares in issue (in thousands)	<u>1,089,233</u>	<u>1,087,769</u>
Basic earnings per share (RMB Yuan)	<u><u>0.080</u></u>	<u><u>0.002</u></u>

(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 at the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	87,169	2,216
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (i)	<u>1,089,233</u>	<u>1,095,771</u>
Dilutive earnings per share (RMB)	<u><u>0.080</u></u>	<u><u>0.002</u></u>

(i) *Weighted average number of shares used as the denominator*

	Year ended 31 December	
	2021	2020
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	1,089,233	1,087,769
Adjustments for calculation of diluted earnings per share:		
Options (in thousands)	<u>—</u>	<u>8,002</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands)	<u><u>1,089,233</u></u>	<u><u>1,095,771</u></u>

17 DIVIDENDS

A dividend in respect of the year ended 31 December 2021 of HK\$0.04 per share, amounting to a total dividend of HK\$43.6 million (equivalent to approximately RMB38.0 million), is to be proposed at the 2021 annual general meeting (2020: nil). These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2021	2020
Proposed dividend	<u>38,013</u>	<u>—</u>

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
Cost				
At 1 January 2021	—	—	4,577	4,577
Additions	51,484	367	1,177	53,028
Disposals	<u>—</u>	<u>—</u>	<u>(482)</u>	<u>(482)</u>
At 31 December 2021	<u>51,484</u>	<u>367</u>	<u>5,272</u>	<u>57,123</u>
Accumulated depreciation				
At 1 January 2021	—	—	(3,736)	(3,736)
Additions	—	(22)	(565)	(587)
Disposals	<u>—</u>	<u>—</u>	<u>474</u>	<u>474</u>
At 31 December 2021	<u>—</u>	<u>(22)</u>	<u>(3,827)</u>	<u>(3,849)</u>
Carrying amount				
At 31 December 2021	<u>51,484</u>	<u>345</u>	<u>1,445</u>	<u>53,274</u>

19 PROPERTIES UNDER DEVELOPMENT

	Zhonghui Financial Building
Cost	
At 31 December 2020	11,769
Additions	131,311
Transfer to investment properties	(91,596)
Transfer to property, plant and equipment	<u>(51,484)</u>
At 31 December 2021	<u>—</u>
Impairment	
At 31 December 2020	<u>—</u>
At 31 December 2021	<u>—</u>
Net book amount	
At 31 December 2021	<u><u>—</u></u>
At 31 December 2020	<u><u>11,769</u></u>

The construction of Zhonghui Financial Building has been completed on December 31, 2021, which is transferred to investment properties and property, plant and equipment based on the purpose of earning rentals and own use respectively.

20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 4 June 2018, the Group acquired 7.5% of the equity interests in Shenzhen Zuanying, for a cash consideration of RMB1.5 million.

The Group invested RMB16.0 million to set up Suzhou Cibe Management Consulting partnership (LP) (“Suzhou Cibe”) together with another party and obtained 90% of the equity interest of Suzhou Cibe in 2021.

According to the Partnership Agreement, the operating decisions of the partnership shall be unanimously agreed by both partners. Therefore, the Group has significant influence over Suzhou Cibe and the investment is accounted for using the equity method of accounting.

The carrying amount of equity-accounted investments has changed as follows in 2021:

	Year ended 31 December	
	2021	2020
At 1 January	1,500	1,500
Additions	15,975	—
Profit or loss for the period	—	—
Dividends paid	—	—
	<u>—</u>	<u>—</u>
At 31 December	<u>17,475</u>	<u>1,500</u>

21 INVESTMENT PROPERTIES

	Year ended 31 December	
	2021	2020
At fair value		
At 1 January	1,621	—
Transfer from properties under development	91,596	—
Capitalized subsequent expenditure	59	—
Transfer from owner-occupied property	—	1,621
Net gains from fair value adjustment (a)	110,422	—
	<u>—</u>	<u>—</u>
At 31 December	<u>203,698</u>	<u>1,621</u>

- (a) As at 31 December 2021, an investment property amounting to RMB202.0 million is a self-constructed building, named Zhonghui Financial Building. The construction of the building started in January 2020 and was completed in December 2021. Part of the building is held by the Group for long-term rental yields through renting it to external parties as commercial and office property, and was measured at fair value. The difference between the fair value of the property and its previous construction carrying amount is recognized in profit or loss.
- (b) As at 31 December 2021, the investment property named Zhonghui Financial Building, is pledged with banks to secure non-current bank borrowings with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) which is borrowed specifically for the construction of Zhonghui Financial Building (Note 30).

22 DEFERRED INCOME TAX

(a) Deferred tax assets

	As at 31 December	
	2021	2020
The balance comprises temporary differences attributable to:		
ECL allowances charge on financial assets	87,048	79,746
Net loss from financial instruments at fair value through profit or loss	2,944	5,616
Recoverable tax losses	5,068	1,382
Share-based payment expense	<u>—</u>	<u>1,000</u>
Total deferred tax assets	<u>95,060</u>	<u>87,744</u>
Offsetting of deferred tax liabilities pursuant to off-setting provisions	<u>(5,178)</u>	<u>—</u>
Net deferred tax assets	<u>89,882</u>	<u>87,744</u>

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 loss/ (gains) from financial instruments at fair value through profit or loss and derivative financial instruments	Recoverable tax losses	Share- based payments	Total
Deferred income tax assets					
At 1 January 2020	68,961	4,654	1,787	1,036	76,438
Credited/(charged) to the consolidated statement of comprehensive income	<u>10,785</u>	<u>962</u>	<u>(405)</u>	<u>(36)</u>	<u>11,306</u>
At 31 December 2020	<u>79,746</u>	<u>5,616</u>	<u>1,382</u>	<u>1,000</u>	<u>87,744</u>
At 1 January 2021	79,746	5,616	1,382	1,000	87,744
Credited/(charged) to the consolidated statement of comprehensive income	<u>7,302</u>	<u>(2,672)</u>	<u>3,686</u>	<u>(1,000)</u>	<u>7,316</u>
At 31 December 2021	<u>87,048</u>	<u>2,944</u>	<u>5,068</u>	<u>—</u>	<u>95,060</u>

As at 31 December 2021, it is estimated that deferred income tax assets will be reversed over one year (31 December 2020: same).

(b) **Deferred tax liabilities**

	As at 31 December	
	2021	2020
The balance comprises temporary differences attributable to:		
Investment property	<u>27,605</u>	<u>—</u>
Total deferred tax liabilities	<u>27,605</u>	<u>—</u>
Offsetting of deferred tax assets pursuant to off-setting provisions	<u>(5,178)</u>	<u>—</u>
Net deferred tax liabilities	<u><u>22,427</u></u>	<u><u>—</u></u>

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:

	Investment property
Deferred income tax liabilities	
At 1 January 2020	<u>—</u>
Charged to the consolidated statement of comprehensive income	<u>—</u>
At 31 December 2020	<u><u>—</u></u>
At 1 January 2021	<u>—</u>
Charged to the consolidated statement of comprehensive income	<u>27,605</u>
At 31 December 2021	<u><u>27,605</u></u>

As at 31 December 2021, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2020: nil).

23 LOANS TO CUSTOMERS

Non-current

	As at 31 December	
	2021	2020
Loans to customers, gross		
Unsecured loans	207,542	115,332
— <i>Guaranteed loans</i>	207,542	115,332
Less: ECL allowances	(4,549)	(4,570)
Loans to customers, net	202,993	110,762

Current

	As at 31 December	
	2021	2020
Loans to customers, gross		
Secured loans	1,398,366	1,266,496
— <i>Real estate backed loans</i>	1,253,726	1,238,560
— <i>Personal property backed loans</i>	144,640	27,936
Unsecured loans	853,650	1,036,053
— <i>Equity interest backed loans</i>	465,319	528,730
— <i>Guaranteed loans</i>	227,288	237,854
— <i>Other unsecured loans</i>	161,043	269,469
	2,252,016	2,302,549
Less: ECL allowances		
Secured loans	(389,812)	(363,747)
Unsecured loans	(250,120)	(235,353)
	(639,932)	(599,100)
Loans to customers, net	1,612,084	1,703,449

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 three to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.00% to 24.00% per annum in the year ended 31 December 2021 (2020: from 10.00% to 24.00%). Guaranteed loans granted to customers bear fixed interest rates from 5.50% to 25.20% per annum in the year ended 31 December 2021 (2020: from 6.00% to 25.20%). Other unsecured loans granted to customers bear fixed interest rates from 3.80% to 17.00% per annum in the year ended 31 December 2021 (2020: from 9.00% to 18.00%).

As at 31 December 2021, renewed loans amounted to RMB245.8 million (2020: RMB360.6 million), which include real estate backed loans equity interest backed loans and guaranteed loans (2020: same).

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
Non-current assets		
Equity securities	—	440
Current assets		
Equity securities	31,748	24,542
Structured deposits (a)	61,295	82,880
	<u>93,043</u>	<u>107,422</u>
	<u>93,043</u>	<u>107,862</u>

(a) The interest rates of structured deposits are related to foreign exchange rate and are all with maturity within one year.

25 CASH AT BANK AND CASH ON HAND

	As at 31 December	
	2021	2020
Cash on hand	1,020	968
Demand deposits with banks	233,368	102,744
Deposits with securities company	393	207
Interest receivable from bank deposits	4,340	5,019
Term deposits with banks with original maturities over 3 months, net	244,226	325,142
<i>Term deposits with banks with original maturities over 3 months, gross</i>	244,390	325,306
<i>Less: ECL allowances</i>	(164)	(164)
	<u>483,347</u>	<u>434,080</u>

Cash at bank and cash on hand are denominated in the following currencies:

	As at 31 December	
	2021	2020
RMB	471,512	193,592
US dollar	7,915	240,109
Hong Kong dollar	3,920	379
	<u>483,347</u>	<u>434,080</u>

Cash and cash equivalents of the Group are determined as follows:

	As at 31 December	
	2021	2020
Cash at bank and cash on hand	483,347	434,080
Less: Unrestricted term deposits with banks with original maturities over 3 months	(10,000)	(36,000)
Interest receivable from bank deposits	(4,340)	(5,019)
Restricted term deposits pledged with banks with original maturities over 3 months	<u>(234,226)</u>	<u>(289,142)</u>
	<u>234,781</u>	<u>103,919</u>

As at 31 December 2021, no restricted term USD deposits are pledged with banks to secure bank borrowings (31 December 2020: restricted term deposits of US\$33.8 million, which is equivalent to RMB220.5 million are pledged with banks to secure bank borrowings with principal amount of RMB210.8 million)(Note 30).

As at 31 December 2021, restricted term deposits of RMB234.2 million (31 December 2020: RMB68.6 million) are pledged with banks to secure bank borrowings with principal amount of RMB222.0 million (31 December 2020: RMB65.5 million)(Note 30).

26 SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Issued and fully paid			
As at 31 December 2021	<u>1,090,335,000</u>	<u>10,903,350</u>	<u>8,662,017</u>
As at 31 December 2020	<u>1,087,769,000</u>	<u>10,877,690</u>	<u>8,640,705</u>

(i) Movements in ordinary shares

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
Details			
Opening balance 1 January 2021	1,087,769,000	HK\$10,877,690	8,640,705
Issue of shares under employee share scheme	<u>2,566,000</u>	<u>HK\$25,660</u>	<u>21,312</u>
Balance 31 December 2021	<u>1,090,335,000</u>	<u>HK\$10,903,350</u>	<u>8,662,017</u>

27 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2020	601,993	506,963	77,715	4,417	7,171	1,198,259
Issue of shares under employee share scheme (a)	735	—	—	—	(187)	548
Transactions with Non-controlling interests	—	(555)	—	—	—	(555)
Capital movement of non-controlling interests	—	(1,750)	—	—	—	(1,750)
At 31 December 2020	<u>602,728</u>	<u>504,658</u>	<u>77,715</u>	<u>4,417</u>	<u>6,984</u>	<u>1,196,502</u>
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
Transactions with Non-controlling interests	—	—	—	—	—	—
Capital movement of non-controlling interests (b)	—	(201)	—	—	—	(201)
At 31 December 2021	<u>604,478</u>	<u>504,457</u>	<u>77,715</u>	<u>4,417</u>	<u>6,533</u>	<u>1,197,600</u>

(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 and have become partially exercisable after the employees completed the vesting period. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 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:

	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	<u>0.62</u>	<u>(22,703)</u>
Aa at 31 December	<u>—</u>	<u>—</u>
Vested and exercisable at 31 December 2021	<u>—</u>	<u>—</u>

	Year ended 31 December 2020	
	Average exercise price in HK\$ per share option	Number of share options (thousands)
As at 1 January	0.62	27,238
Granted	—	—
Exercised	0.62	(982)
Forfeited	<u>0.62</u>	<u>(987)</u>
Aa at 31 December	<u>0.62</u>	<u>25,269</u>
Vested and exercisable at 31 December 2020	<u>0.62</u>	<u>25,269</u>

(b) Capital movement of non-controlling interests

- (i) On 15 March 2021, the non-controlling shareholders repatriated RMB5.0 million from Huifang Rongtong (2020: nil).
- (ii) On 7 July 2021, the non-controlling shareholders acquired 7.06% of the equity interests in Huida Factoring through capital injections of RMB40.0 million, resulting in an increase of the total non-controlling interests to 47.06% at the year ended 31 December 2021 (2020: two new shareholders acquired 40% of the equity interests in Huida Factoring through capital injections of RMB40.0 million).
- (iii) The Group and the non-controlling shareholder invested RMB30.3 million and RMB24.8 million respectively to set up Nanjing Yiling in 2021 (2020: nil).
- (iv) The Group and the non-controlling shareholder invested RMB13.5 million and RMB1.5 million respectively to set up Huifang Rongcui in 2021 (2020: nil).

28 RETAINED EARNINGS

	As at 31 December	
	2021	2020
At 1 January	575,428	586,212
Net profit attributable to the owners of the Company for the year	87,169	2,216
Dividends provided for or paid	—	(13,000)
	<u> </u>	<u> </u>
At 31 December	<u><u>662,597</u></u>	<u><u>575,428</u></u>

29 OTHER CURRENT LIABILITIES

	As at 31 December	
	2021	2020
Construction payables	51,114	—
Accrued employee benefits	7,106	4,847
Advances on sales	5,303	—
Redemption Deposit	4,990	—
Advance from transferee of financial assets	2,762	9,678
Provisions to financial guarantees	1,873	1,612
Turnover tax and other tax payable	1,746	1,669
Other financial liabilities	8,463	4,746
	<u> </u>	<u> </u>
	<u><u>83,357</u></u>	<u><u>22,552</u></u>

As at 31 December 2021, the Group's other financial liabilities are non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2020: same).

30 BORROWINGS

	As at 31 December	
	2021	2020
Non-current		
Bank borrowings (a)	<u>89,380</u>	<u>50,380</u>
Current		
Bank borrowings (b)	506,280	436,489
Borrowings from micro-finance companies (c)	<u>—</u>	<u>23,500</u>
	<u>506,280</u>	<u>459,989</u>
	<u><u>595,660</u></u>	<u><u>510,369</u></u>

The Group's borrowings are all denominated in RMB.

- (a) As at 31 December 2021, non-current bank borrowing with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing 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 2021, the undrawn bank borrowing facilities are RMB4.1 million (31 December 2020: RMB49.6 million).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 5.50% per annum as at 31 December 2021 (31 December 2020: fixed rate from 3.60% to 5.95% per annum).

As at 31 December 2021, no bank borrowings which are secured by restricted term USD deposits (31 December 2020: bank borrowings of RMB210.8 million are secured by restricted term deposits of US\$33.8 million) (Note 25).

As at 31 December 2021, bank borrowings with principal amount of RMB222.0 million (2020: RMB65.5 million) are secured by restricted term deposits of RMB234.2 million (2020: RMB68.6 million) (Note 25).

As at 31 December 2021, bank borrowings with principal amount of RMB59.5 million are secured by structured deposits of RMB59.5 million (31 December 2020: nil).

As at 31 December 2021, bank borrowings with principal amount of RMB120.2 million (31 December 2020: 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.

As at 31 December 2021, bank borrowings with principal amount of RMB30.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

- (c) As at 31 December 2021, no borrowings from micro-finance companies are guaranteed by Wuzhong Group (2020: RMB23.5 million).

31 COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2021	2020
Suzhou Cibe Management Consulting partnership (LP) (“Suzhou Cibe”) (a)	29,025	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) (“Zhongxin Hengyuan”) (b)	5,000	—
Zhonghui Financial Building	<u>—</u>	<u>87,162</u>
	<u>34,025</u>	<u>87,162</u>

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB29.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).
- (b) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB5.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

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 2021, the Company insisted on its business strategy of “intensified marketing, improving risk control, seizure development opportunities, and building high-level talent team”. Driven by external objective factors such as the overall controllable pandemic situation in Mainland China and the steady improvement of the macroeconomic situation, the Company’s marketing efforts have shown effective results, the risk control strategy has been strictly implemented, and the level of refined management has been significantly improved, showing a trend of good recovery in business operations. In order to improve the management efficiency, the Company has adjusted the structure and functions of the business divisions. The original three business divisions, namely the Inclusive Finance Business Division, the Technology Finance Business Division, and the Insurance Brokerage Business Division, were merged or reorganized into two business divisions, the Inclusive Finance Business Division and the Ecology Finance Business Division. The Inclusive Finance Business Division covers five business units, including pawnshop, micro-finance, turnover loan fund, art investment and luxury sales. The Ecology Finance Business Division covers five business units, including commercial factoring, supply chain management, equity investment, special asset investment, and insurance brokerage.

1. Business Review and Development

1.1 Inclusive Finance Business Division

The Inclusive Finance Business Division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.* (蘇州市吳中典當有限責任公司) (“**Wuzhong Pawnshop**”), Changsha Furong District Huifang Pawnshop Co., Ltd.* (長沙市芙蓉區匯方典當有限責任公司) (“**Changsha Pawnshop**”), 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) (“**Dongshan Micro-finance**”), 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)) (“**Huifang Rongtong**”), Nanjing Yiling Culture and Art Co., Ltd.* (南京藝瓏文化藝術有限公司) (“**Nanjing Yiling**”). The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business, luxury sales business and overseas finance 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 personal 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, Hong Kong and Changsha, and is striving to become a leading service provider of inclusive finance in the PRC.

* For identification purpose only

(a) *Pawnshop Business*

The following table sets out the details of total transaction amount, number and income of loans granted as of 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number of new secured loans		
Total transaction number of new real estate backed loans	782	527
Total transaction number of new personal property backed loans	693	856
Total transaction amount of new secured loans (RMB' million)		
Total transaction amount of new real estate backed loans	619	405
Total transaction amount of new personal property backed loans	36	26
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)	744	744
Balance of personal property backed loans at the end of the Reporting Year (principal)	39	47
Interest income of secured loans (RMB' thousand)		
Interest income of real estate backed loans	65,035	60,393
Interest income of personal property backed loans	4,384	12,014
Total transaction number of new unsecured loans	53	65
Total transaction amount of new unsecured loans (RMB' million)	931	784
Balance of unsecured loans at the end of the Reporting Year (principal) (RMB' million)	386	445
Interest income of unsecured loans (RMB' thousand)	37,335	38,865

The pawnshop business mainly relies on Wuzhong Pawnshop and Changsha Pawnshop as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is a wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements.

Wuzhong Pawnshop is 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.

Wuzhong Pawnshop primarily engages in secured loan and unsecured loan businesses. Secured loans business mainly includes real estate backed loans and personal 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 and are characterized by low risks and low turnover rates. 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 6%–25% 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 and other cities. The target customers are mainly distributed in beverage, retail, trade and other industries. 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 2021, the balance at the end of the Reporting Year (principal) and the interest income of real estate backed loans granted by the Company were RMB744 million and RMB65,035 thousand respectively, representing a basic flat in balance and an increase in interest income as compared with 2020. The main reason is that with the significant improvement of the pandemic situation and the implementation of the Chinese government's prudent monetary policy, the Company showed a steady improvement in business development.

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

In 2021, in order to strengthen its dominant position in the pawnshop industry in the PRC, the Company established Changsha Pawnshop on 9 December 2021, with a registered capital of RMB50 million. Changsha Pawnshop was the only pawnshop approved for establishment in Hunan Province in the past year. 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 10–12 cities by 2025.

② Personal Property Backed Loans

The personal property backed loans mainly provide fast personal property backed financing services for individuals, and the product categories cover gold, jewelry, works of art, 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 7.25% to 54% per annum and the loan term within 1 year. The operation area is mainly in core urban areas of Suzhou. The business in Chengdu, Wuhan, Hefei, Wuxi, Changsha and other cities is gradually expanding. The target customers are mainly distributed in manufacturing, agriculture, retail and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of personal property backed loans granted by the Company were RMB39 million and RMB4,384 thousand respectively, representing a decrease as compared with 2020. The main reason is that in order to reduce the risk of business concentration, the Company focused on the development of small-sums and dispersed businesses and liquidated some large-amount business.

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

In 2021, the Company continued to promote the reform of the business of personal property backed pawn loans, which included the comprehensive promotion of store decoration and upgrading, the unification of store image, the expansion of product types, precision marketing and other fields. The development direction of the personal property backed loans in the future is to adhere to a high-quality and sustainable business strategy, strengthen 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 company's operating conditions, financial analysis, 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 in manufacturing, real estate, investment and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of unsecured loans granted by the Company were RMB386 million and RMB37,335 thousand respectively, representing a decrease as compared with 2020. The main reason is to reduce the balance of unsecured loans, the Company focused on the development of small-sums and dispersed businesses, which led to the decline in interest income.

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

In 2021, the Company paid attention to the actual business situation of the customers 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 are mainly to implement the policy of separating the process of checking and 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 are mainly to implement 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 are mainly to implement overdue business in strict accordance 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total number of new loans granted	158	159
Total amount of new loan granted (RMB' million)	333	341
Balance at the end of the Reporting Year (principal) (RMB' million)	339	376
Interest income (RMB' thousand)	36,962	36,929

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 holding subsidiary of the Company and is jointly established by the Company and 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 one of the few micro-finance companies rated “AAA” in Jiangsu Province.

Dongshan Micro-finance primarily engages in providing small loans for “agriculture, rural areas and rural people” (“三農”) purposes and financial services such as finance guarantee. Loans mainly include secured loans, guaranteed loans and credit loans.

Business risks of secured loans are comprehensively assessed based on customer 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%–18% per annum and the loan term ranges from 1 year to 3 years. As of 31 December 2021, the balance at the end of the Reporting Year (principal) of the secured loans is RMB116 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in agriculture, beverage, service and other industries.

Business risks of guaranteed loans are comprehensively assessed based on the company’s operating conditions, financial analysis, industry development, etc. The interest rates range from 10% to 18% per annum and the loan terms range from 6 months to 12 months. As of 31 December 2021, the balance at the end

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of the Reporting Year (principal) of the guaranteed loans is RMB98 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in manufacturing, trade, investment and other industries.

Business risks of credit loans are comprehensively assessed based on the individual's or company's credit status, operating conditions, asset conditions and solvency, etc. The interest rates range from 3.8%–17% per annum and the loan term is 12 months. As of 31 December 2021, the balance at the end of the Reporting Year (principal) of the credit loans is RMB127 million. The operation area is mainly in Suzhou. The target customers are mainly distributed in trade, gardening, investment and other industries.

As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of micro-finance business were RMB339 million and RMB36,962 thousand respectively, representing a decrease in ending balance and an increase in interest income as compared with 2020. The main reason is that the Company optimized and adjusted the business structure which steadily improved interest income.

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, etc.

In 2021, the digitization of the micro-finance business was strengthened, and the brand awareness and influence were actively enhanced. 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 are mainly to implement the policy of separating the process of checking and 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 are mainly to implement 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 are mainly to implement overdue business in strict accordance 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total number of new loans granted	388	370
Total new loan amount granted (RMB' million)	2,252	2,328
Balance at the end of the Reporting Year (principal) (RMB' million)	67	64.2
Interest income (RMB' thousand)	5,137	9,004

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 holding 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, operating conditions, financial status and bank credit conditions, etc. The interest rates range from 15.2% to 18% per annum and the loan terms range from 3 days to 30 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 2021, the balance at the end of the Reporting Year (principal) and the interest income of turnover loan fund business were RMB67 million and RMB5,137 thousand respectively, representing a basic flat in balance and a decrease in interest income as compared with 2020. The main

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reason is that the operating scale of the turnover loan fund is reduced, and the development of small-sums and dispersed business reduces the efficiency of fund use.

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

In 2021, the turnover loan fund business took 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 are mainly to implement the policy of separating the process of checking and 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 are mainly to implement 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 are mainly to implement overdue business in strict accordance 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number of new artworks	8	—
Total transaction amount of new artworks (RMB' million)	134	—
Total amount of artworks in stock at the end of the Reporting Year (RMB' million)	101	—
Service fee income (RMB' thousand)	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 holding 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 country. The target customers are mainly major auction companies and well-known domestic collectors.

As of 31 December 2021, the total amount of artworks in stock at the end of the Reporting Year and the service fee income of art investment business were RMB101 million and RMB5,294 thousand respectively.

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

In 2021, the Company entered the art investment industry and became one of the few comprehensive art service platforms in Jiangsu Province with increasing brand influence. The development direction of art investment business in the future is to continue to strive to build a comprehensive system

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that serves the entire art industry, and develop Nanjing Yiling into a comprehensive financial service platform covering all categories and all fields of art, quasi-arts, and quasi-collectibles.

(e) *Luxury Sales Business*

The following table sets out the operating information of the luxury sales business as of 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number		
Total transaction number from Wuzhong Pawnshop	943	—
Total transaction number from Huifang Supply Chain	—	—
Sales income (RMB' thousand)		
Sales income from Wuzhong Pawnshop	10,445	—
Sales income from Huifang Supply Chain	—	—

The luxury sales business mainly relies on Wuzhong Pawnshop and Huifang Supply Chain as entities to carry out its business. Wuzhong Pawnshop, established in 1999 with a registered capital of RMB1,000 million, is a 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 for enterprises. Huifang Supply Chain, established in 2018 with a registered capital of RMB400 million, is an indirect wholly-owned subsidiary of the Company and the main sales platform of luxury sales business for customers.

In 2021, 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 2021, the total transaction number of luxury goods at the end of the Reporting Year and the sales income were 943 and RMB10,445 thousand respectively.

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 2021, the luxury goods sales business completed the team formation, business model determination, renovation of the business premises and trial operation. The development direction of luxury sales business in the future is to conduct multi-dimensional integration of luxury goods and pawnshops and cooperate with foreign 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 Suzhou Huida Commercial Factoring Company Limited* (蘇州匯達商業保理有限公司) (“**Huida Factoring**”), Suzhou Huifang Supply Chain Management Co., Ltd.* (蘇州市匯方供應鏈管理有限公司) (“**Huifang Supply Chain**”), Suzhou Huifang Rongcui Management Consulting Co., Ltd.* (蘇州匯方融萃企業管理諮詢有限公司) (“**Huifang Rongcui**”), Qingdao Wanchen Buliang Property Company Limited* (青島萬宸不良資產處置有限公司) (“**Qingdao Wanchen**”), 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**”), Suzhou Huifang Anda Insurance Agency Company Limited* (蘇州匯方安達保險代理有限公司) (“**Huifang Anda**”, formerly named as Nanjing Shun’an Insurance Agency Company Limited* (南京舜安保險代理有限公司)) and Sichuan Aomeishu Technology Co., Ltd.* (四川奧美殊科技有限公司) (“**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.

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(a) *Commercial Factoring Business*

The following table sets out the operating information of the commercial factoring business as of 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
Total number of new transaction relating to accounts receivable assignment	21	19
Total number of new transaction relating to accounts receivable assignment (RMB' million)	156	160
Balance at the end of the Reporting Year (principal) (RMB' million)	243	128
Interest income (RMB' thousand)	<u>15,752</u>	<u>10,030</u>

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 holding subsidiary of the Company and is jointly established by the Company and other three state-owned or collective capital companies: Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司) (“**Wuzhong Gaoxin**”), Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司) (“**Dongfang Investment**”) 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) (“**Wuzhong Investment**”). 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 accounts receivable. Commercial factoring business evaluates business risks by comprehensively analyzing enterprise operation, financial situation, 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 in construction, manufacturing and other industries.

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As of 31 December 2021, the balance at the end of the Reporting Year (principal) and the interest income of Huida Factoring were RMB243 million and RMB15,752 thousand respectively, representing a significant increase as compared with 2020. The main reason is the future expansion of the business scale after the increase of registered capital and bank financing.

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

In 2021, state-owned and collective capital was introduced into commercial factoring business, and the registered capital of Huida Factoring was increased from RMB100 million to RMB170 million. Moreover, the company joined Jiangsu Factoring Industry Association successfully, which will help the company obtain more bank financing and serve more SMEs. The development direction of commercial factoring business in the future is to attach importance to 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 are mainly to implement the policy of separating the process of checking and 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 are mainly to implement 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 are mainly to implement overdue business in strict accordance 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number	660	67
Sales income (RMB' thousand)	93,108	28,714

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 the development of supply chain agency procurement and agency sales business mainly for grain and oil, mobile terminal, liquor and other consumer goods fields, and always focused on new supply chain scenarios. 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 excellent enterprises.

As of 31 December 2021, the total transaction number of supply chain management business at the end of the Reporting Year and the sales income were 660 and RMB93,108 thousand respectively, representing a significant increase as compared with 2020. The main reason is that the new business model has been recognized by customers and the scale of cooperation 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 2021, Huifang Supply Chain further increased its registered capital from RMB50 million to RMB400 million, which will help the company expand its business scale and serve more customers. The development direction of supply chain management business in the future is to deeply cultivate the field of essential consumer goods, build own supply chain Software as a Service (“SaaS”) platform, and expand more product categories.

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(c) *Equity Investment Business*

The following table sets out the operating information of the equity investment business as of 31 December 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number of new investment	2	—
Total transaction amount of new investment (RMB' million)	15	—
Balance of investment at the end of the Reporting Year (RMB' million)	15	—

The equity investment business mainly relies on Huifang Rongcui as the entity to carry out its business. Huifang Rongcui, established in 2021 with a registered capital of RMB100 million, is an indirect holding subsidiary of the Company. Aiming at creating a business pattern of coordinated development of creditor's rights and equity, Huifang Rongcui cooperates with senior equity investment institutions based on national policy guidance. Investment areas mainly cover advanced manufacturing, biomedicine, new energy, semiconductor 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 system risk of financial market, contract risk, etc.

In 2021, equity investment business cooperated with two senior equity investment institutions, intended investment being RMB20 million, with actual investment of RMB15 million. These include 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)) (“**Qianhui Xinli**”) (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; 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) (“**Zhongxin Investment**”)), with actual investment of RMB5 million. The development direction of equity investment business in the future is to further strengthen the cooperation with senior equity

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investment institutions, expand the scope of equity investment, explore the double GP cooperation mode, participate in equity investment projects, 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number of new investment	9	—
Total transaction number of new investment (RMB' million)	16	—
Balance of investment at the end of the Reporting Year (RMB' million)	16	—

The special asset investment business mainly relies on Qingdao Wanchen and Suzhou Cibeï as entities to carry out its business. Qingdao Wanchen, established in 2019 with a registered capital of RMB10 million, is an indirect holding subsidiary of the Company. Suzhou Cibeï, 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 limit partner.

Special asset investment business makes full use of the Company's industrial layout, team basis and institutional resources to carry out special investment, disposal and operation. Special asset investment business mainly targets potential special assets such as residential real estate, commercial real estate, industrial real estate and pension real estate.

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 2021, the team of special asset investment was established, and cooperated with Jiangsu Asset Management Co., Ltd and other state-owned asset management companies, effectively completed the cooperation with several intermediary agencies and law firms. The development direction of special

asset investment business in the future is to actively participate in the Suzhou special asset transfer market, 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total transaction number	684	393
Sales income (RMB' thousand)	1,973	6,992

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 holding 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 coinsurance, 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 2021, the total transaction number and sales income of insurance brokerage business transactions were 684 and RMB1,973 thousand respectively, representing a decrease as compared with 2020. The main reason is the substantial increase in the number of market agent business and the decline in the policy of the Construction Workers' Accident Insurance Coinsurance, which is the traditional main product.

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

* *For identification purpose only*

In 2021, the insurance brokerage business actively expanded the market agent business and achieved business cooperation with several foreign-funded enterprises and large enterprises in the face of the decline in the traditional main products, the Construction Workers' Accident Insurance Coinsurance. The development direction of insurance brokerage business in the future is to focus on property insurance, implement more coinsurance cooperation, introduce more agent teams, and strive to become a leading insurance agency in Suzhou and a well-known insurance agency in the province.

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 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 2021:

	For the year ended	
	31 December	
	2021	2020
Total number of new loans granted	2	2
Total new loan amount granted (HK\$' million)	26	26
Balance at the end of the Reporting Year (principal) (HK\$' million)	<u>26</u>	<u>26</u>
Interest income (HK\$' thousand)	<u><u>1,640</u></u>	<u><u>1,570</u></u>

The overseas finance business mainly relies on Huifang Investment as the entity to carry out its business. Huifang Investment, established in 2011, is a wholly-owned subsidiary of the Company and obtained a money lender's license in Hong Kong in January 2019 to develop diversified financial services. 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 2021, the balance at the end of the Reporting Year (principal) and the interest income of overseas finance business were HK\$26 million and HK\$1,640 thousand respectively, representing an increase as compared with 2020.

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 2021, in view of the fact that the pandemic situation in Hong Kong and other overseas regions has not been effectively alleviated, and entry and exit have been greatly restricted, the expansion of 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 development opportunities in the fields of pawnshops and digital assets in more overseas countries and regions such as Macao and Singapore after the entry and exit policies are liberalized.

2. Financial Review

2.1 Overall Financial Data

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Operating Results		
Operating income	367,825	259,806
Net operating income	212,211	92,111
Net assets	2,093,734	1,941,898
General and administrative expenses	62,906	52,649
Income tax expenses	45,799	12,038
Profit attributable to equity holders	87,169	2,216
Basic earnings per share (RMB Yuan)	<u>0.080</u>	<u>0.002</u>

As of 31 December 2021, the operating income amounted to RMB367,825 thousand, representing an increase as compared with 2020. The main reason is the significant increase in revenue generated from the supply chain management business and the moderate increase in revenue generated from the pawnshop business, the commercial factoring business and the art investment business, respectively. As of 31 December 2021, the profit attributable to equity holders amounted to RMB87,169 thousand, representing an increase as compared with 2020. The main reason is the fair value change on the Zhonghui Financial Building, which was an investment property and was completed in December 2021, and the increase in revenue attributable to the factors set out above.

2.2 Financial Analysis on two Principal Business Divisions

2.2.1 Inclusive Finance Business Division

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Operating income	236,797	218,889
Operating cost	9,077	12,733
Other non-operating losses	(177,141)	(138,284)
Profit before tax	<u>50,579</u>	<u>67,872</u>

In 2021, the Company adjusted the structure and functions of the Inclusive Finance Business Division. The Inclusive Finance Business Division is responsible for pawnshop, micro-finance, turnover loan fund, art investment and luxury sales.

As of 31 December 2021, the operating income amounted to RMB236,797 thousand, representing an increase as compared with 2020. The main reason is the moderate increase in revenue generated from the pawnshop business and the art investment business, respectively. As of 31 December 2021, the profit before tax amounted to RMB50,579 thousand, representing a decrease as compared with 2020. The main reason is the increase in the impairment allowance.

2.2.2 Ecology Finance Business Division

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Operating income	114,452	11,037
Operating cost	98,538	132
Other non-operating losses	(4,031)	(9,449)
Profit before tax	<u>11,883</u>	<u>1,456</u>

In 2021, the Company established the Ecology Finance Business Division. The Ecology Finance Business Division is responsible for commercial factoring, supply chain management, equity investment, special asset investment, and insurance brokerage.

As of 31 December 2021, the operating income amounted to RMB114,452 thousand, representing a significant increase as compared with 2020. The main reason is the increase in revenue generated from the supply chain management business and the commercial factoring business. As of 31 December 2021, the profit before tax amounted to RMB11,883 thousand, representing a significant increase as compared with 2020. The main reason is the increase in revenue generated from the commercial factoring business.

2.2.3 Headquarters and Others

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Operating income	19,008	23,395
Operating cost	15,607	21,504
Other non-operating profit/(loss)	81,482	(47,349)
Profit/(loss) before tax	<u>84,883</u>	<u>(45,458)</u>

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 fine management to increase income and reduce expenditure.

As of 31 December 2021, the operating income amounted to RMB19,008 thousand, representing a decrease as compared with 2020. The main reason is the decrease in revenue generated from the entrusted loan business. As of 31 December 2021, the profit before tax amounted to RMB84,883 thousand, representing a significant increase as compared with 2020. The main reason is the fair value change on the Zhonghui Financial Building, which was an investment property and was completed in December 2021.

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				
	2021			2020	
	Stage 1 12-month ECL	ECL staging Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Loans to customers					
Secured loans to customers (a)	538,408	42,118	817,840	1,398,366	1,266,496
Unsecured loans to customers (b)	810,376	6,797	244,019	1,061,192	1,151,385
Gross carrying amount	1,348,784	48,915	1,061,859	2,459,558	2,417,881
Loss allowances	(30,566)	(13,688)	(600,227)	(644,481)	(603,670)
Carrying amount	1,318,218	35,227	461,632	1,815,077	1,814,211
Term deposits with banks					
Credit grade					
AAA	244,390	—	—	244,390	325,306
Gross carrying amount	244,390	—	—	244,390	325,306
Loss allowances	(164)	—	—	(164)	(164)
Carrying amount	244,226	—	—	244,226	325,142
Structured deposits with banks					
Credit grade					
AAA	61,295	—	—	61,295	82,880
Gross carrying amount	61,295	—	—	61,295	82,880
Other current assets (excluding repossessed assets)					
Gross carrying amount	12,345	—	1,901	14,246	7,076
Loss allowances	—	—	(951)	(951)	(1,607)
Carrying amount	12,345	—	950	13,295	5,469
Guarantee and commitment					
Financial guarantees exposure	46,950	—	—	46,950	48,550

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

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

In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2021, the aggregate impairment allowance for secured loans to customers and unsecured loans to customers amounted to RMB644,481 thousand, representing approximately 26.2% of the total outstanding loans granted to customers (before provision); the overall impairment allowance of the Company increased by RMB40,811 thousand as compared with the end of last year.

The following table sets forth the breakdown of impairment allowance of the Group as of the indicated dates:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Secured loans to customers	389,812	363,747
Unsecured loans to customers	<u>250,120</u>	<u>235,353</u>
	<u><u>639,932</u></u>	<u><u>599,100</u></u>

3.2 New Loans under Legal Proceedings

	For the year ended	
	31 December	
	2021	2020
New Secured Loans		
Number of clients	33	18
Outstanding loans (RMB' thousand)	39,343	19,384
New Unsecured Loans		
Number of clients	—	2
Outstanding loans (RMB' thousand)	<u>—</u>	<u>5,244</u>

As at 31 December 2021, the balance of new secured loans under legal proceedings was RMB39,343 thousand and there is no new unsecured loans under legal proceedings. There is a significant increase of the balance of new loans under legal proceedings from the end of the previous year.

4. Borrowings

	As at 31 December	
	2021	2020
Non-current		
Bank borrowings (a)	<u>89,380</u>	<u>50,380</u>
Current		
Bank borrowings (b)	506,280	436,489
Borrowings from micro-finance companies (c)	<u>—</u>	<u>23,500</u>
	<u>506,280</u>	<u>459,989</u>
	<u>595,660</u>	<u>510,369</u>

The Group's borrowings are all denominated in RMB.

- (a) As at 31 December 2021, non-current bank borrowing with principal amount of RMB89.4 million (31 December 2020: RMB50.4 million) is borrowed specifically for the construction of Zhonghui Financial Building. The borrowing 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 2021, the undrawn bank borrowing facilities are RMB4.1 million (31 December 2020: RMB49.6 million).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.40% to 5.50% per annum as at 31 December 2021 (31 December 2020: fixed rate from 3.60% to 5.95% per annum).

As at 31 December 2021, no bank borrowings which are secured by restricted term USD deposits (31 December 2020: bank borrowings of RMB210.8 million are secured by restricted term deposits of US\$33.8 million) (Note 25).

As at 31 December 2021, bank borrowings with principal amount of RMB222.0 million (2020: RMB65.5 million) are secured by restricted term deposits of RMB234.2 million (2020: RMB68.6 million) (Note 25).

As at 31 December 2021, bank borrowings with principal amount of RMB59.5 million are secured by structured deposits of RMB59.5 million (31 December 2020: nil).

As at 31 December 2021, bank borrowings with principal amount of RMB120.2 million (31 December 2020: RMB120.2 million) are guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

As at 31 December 2021, bank borrowings with principal amount of RMB30.0 million are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd. (31 December 2020: nil).

(c) As at 31 December 2021, no borrowings from micro-finance companies are guaranteed by Wuzhong Group (2020: RMB23.5 million).

As at 31 December 2021, the gearing ratios of the Group was 26.18%. 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 2021, 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 RMB79,266 thousand for the year ended 31 December 2021, as compared with RMB7,259 thousand for 2020.

6. Exposure to Foreign Exchange Risk

For the year ended 31 December 2021, the net foreign currency losses of the Group were RMB3,303 thousand, representing a decrease as compared to the net foreign currency gains of RMB18,005 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 2021, land-use right of RMB34.2 million of the Group (31 December 2020: RMB34.6 million) is pledged with banks to secure borrowings.

As at 31 December 2021, structured deposits with principal amount of RMB140.4 million of the Group are pledged with banks to secure the Group's borrowings with principal amount of RMB135.5 million (31 December 2020: nil).

As at 31 December 2021, restricted term deposits of RMB287.0 million (31 December 2020: RMB68.6 million) are pledged with banks to secure the Group's bank borrowings with principal amount of RMB272.0 million of the Group (31 December 2020: RMB65.5 million).

Save as disclosed above, for the year ended 31 December 2021, the Group did not have any pledge of assets.

8. Significant Investments, Acquisition and Disposal

8.1 *Establishment of Suzhou Cibe*

On 16 April 2021, Suzhou Cibe was formally established in Suzhou, the PRC, with a registered capital of RMB50 million to develop special asset investment, special asset disposal, special asset operation and other businesses. The Company promised to invest RMB45 million, with a shareholding ratio of 90%, and had paid RMB16 million for the year ended 31 December 2021. According to the partnership agreement, the Group has significant influence over Suzhou Cibe. The Group's investment strategy is to use the experience and resources accumulated as a loaner in Suzhou for many years to obtain excess returns from the disposal of special assets.

8.2 *Establishment of Nanjing Yiling*

On 8 May 2021, Nanjing Yiling was formally established in Nanjing, the PRC, with a registered capital of RMB55 million to develop artwork investment, artwork custody, artwork disposal and other businesses. The Company promised to invest RMB30.25 million, with a shareholding ratio of 55%, and had paid RMB30.25 million for the year ended 31 December 2021. The Group's investment strategy is to expand the art financial market and achieve diversified development.

8.3 *Establishment of Huifang Rongcui*

On 29 June 2021, Huifang Rongcui was formally established in Suzhou, the PRC, with a registered capital of RMB100 million to develop direct equity investment, FOF investment and other businesses. The Company promised to invest RMB90 million, with a shareholding ratio of 90%, and had paid RMB13.5 million for the year ended 31 December 2021. The Group's investment strategy is to seize the development opportunities of advanced manufacturing, new energy and biomedicine, and realize the coordinated development of debt business and equity business.

8.4 *Capital Increase Regarding Huida Factoring and Deemed Disposal*

On 2 July 2021, Huifang Tongda, Wuzhong Gaoxin, Dongfang Investment and Wuzhong Investment, entered into an agreement, pursuant to which the above mentioned parties agreed to further increase the registered capital of Huida Factoring. Upon completion of the capital increase, the registered capital of Huida Factoring increased from RMB100 million to RMB170 million and the total amount of capital contribution made by the Company to Huida Factoring through Huifang Tongda become RMB90 million, whereas the Company's shareholding in it would decrease from 60.00% to 52.94%. Therefore, the capital increase contemplated under the agreement constitutes a deemed disposal of approximately 7.06% of the Company's equity interest in Huida Factoring. The Group's investment strategy is to improve its credit level, which is conducive to its business expansion, procurement of further bank financing and servicing of more small and micro enterprises in the PRC.

8.5 *Establishment of Changsha Pawnshop*

On 9 December 2021, Changsha Pawnshop was formally established in Changsha, the PRC with a registered capital of RMB50 million. The Company owns 82% and 18% of its shares through Huifang Tongda and Huifang Rongda. Changsha Pawnshop was the only pawnshop approved for establishment in Hunan Province in the past year, and its future business is mainly to provide secured loans services (including real estate backed loans and personal property backed loans) in Hunan, the PRC. The Group's investment strategy is to further promote the national expansion of the pawnshop business and strength its dominant position in the pawnshop industry in the PRC.

8.6 *Capital Increase Regarding Huifang Supply Chain*

On 30 November 2021, the Company further increased the capital of Huifang Supply Chain through Huifang Technology, and the registered capital increased from RMB50 million to RMB400 million. The Group's investment strategy is to take advantage of the growing business scale of Huifang Supply Chain to reduce the balance of capital backed loans of Huifang Technology and reduce financial costs.

* For identification purpose only

8.7 Investment of Zhonghui Financial Building

On 31 December 2021, the construction project of Zhonghui Financial Building (Sudi 2017-WG-51) was completed and obtained a real estate license. The total construction scale of the project is 17,894.27 square meters. The total investment is approximately RMB155 million. The investment strategy of the Group is to attract financial enterprises to settle in and create an ecosystem with investment property as a platform.

As at 30 June 2021, the fair value of each of the abovementioned investments represented less than 5% of the total assets of the Group. As at 30 June 2021, the Group did not hold any 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 Period.

9. Contingencies, Contractual Obligations and Cash Usage Analysis

9.1 Contingencies

As at 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 (31 December 2020: RMB48.6 million).

9.2 Commitments

(a) Capital commitments

	As at 31 December	
	2021	2020
Suzhou Cibe Management Consulting partnership (LP) (“Suzhou Cibe”) (a)	29,025	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) (“Zhongxin Hengyuan”) (b)	5,000	—
Zhonghui Financial Building	—	87,162
	<u>34,025</u>	<u>87,162</u>

(a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB29.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

(b) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB5.0 million has not been paid by the Group as at 31 December 2021 (31 December 2020: nil).

9.3 Cash Usage Analysis

As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB234,781 thousand, representing an increase of RMB130,862 thousand as compared with that of 2020. The following table sets forth a summary of our cash flows for the indicated periods:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Net cash inflow from operating activities	98,459	410,782
Net cash outflow from investing activities	(75,669)	(7,259)
Net cash inflow/(outflow) from financing activities	<u>108,418</u>	<u>(479,171)</u>
Net increase/(decrease) in cash and cash equivalents	131,208	(75,648)
Cash and cash equivalents at the end of year	<u>234,781</u>	<u>103,919</u>

Net Cash Flow from Operating Activities

During the Reporting Year, net cash inflow from operating activities amounted to RMB98,459 thousand, representing a decrease as compared with 2020. This is due to the smooth business expansion and the improvement of the capital utilization efficiency.

Net Cash Flow from Investing Activities

During the Reporting Year, net cash outflow from investing activities amounted to RMB75,669 thousand, representing an increase as compared with 2020. This is due to the development of equity investment business and special asset investment business.

Net Cash Flow from Financing Activities

During the Reporting Year, net cash inflow from financing activities amounted to RMB108,418 thousand, representing an increase as compared with 2020. This is due to the increase in bank financing for commercial factoring business and supply chain management business.

10. Human Resource and Employee Benefits

As at 31 December 2021, the Group had a total of 141 full-time employees, with an increase of 1 person from 140 people as at 31 December 2020. Based on the development of our business, we will formulate diversified human resources optimization plans, and review of our employees' performance so as to adjust the number of our employees and our remuneration policy.

For the year ended 31 December 2021, the expenses for employee remuneration and benefits were approximately RMB35,278 thousand, representing an increase of approximately RMB6,862 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.

11. Future Plans Relating to Material Investments

Save as disclosed in this announcement, 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 profits for the year ended 31 December 2021 of HK\$0.04 per Share, amounting to a total dividend of HK\$43.6 million (equivalent to approximately RMB38 million), is to be proposed at the annual general meeting on 26 May 2022 (2020: Nil). These financial statements do not reflect this dividend payable.

PROSPECTS

Inclusive Finance Business Division: The pawnshop business will continue to be guided by the national expansion strategy to hedge the risk of regional concentration in the operation area and further promote the brand in the industry. The Company will pay attention to the development of art investment business and luxury sales business, and build a balanced development pattern with a reasonable structure of light assets and heavy assets.

Ecology Finance Business Division: The commercial factoring business will increase its financing scale and enrich its product structure. The special asset investment business will build an independent disposal platform. The equity investment business will seek to participate in investment funds as a GP. The Company will complete the team formation and business model exploration of wealth management business and financial leasing business.

Headquarters: The Company will focus on value creation, business innovation, brand promotion, and team formation. The headquarters provide guarantee and support for “deeply cultivating inclusive finance to become stronger and better, and deeply developing ecology finance to become stronger and bigger”.

FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK\$0.04 per Share in respect of the year ended 31 December 2021 (the “**2021 Final Dividend**”) (2020: Nil). The 2021 Final Dividend will be paid to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Thursday, 2 June 2022. Based on the 1,090,335,000 Shares in issue as at 31 December 2021, the payment of the 2021 Final Dividend is expected to amount to approximately HK\$43,613,400, which will be paid on or before Monday, 27 June 2022. The retained profit will be primarily used for the Group’s business developments and/or acquisitions in the PRC.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Year, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

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, except for Code Provision C.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person.

From 1 January 2021 to 17 October 2021, Mr. Wu Min assumed the roles of both chairman of the Board and chief executive officer of the Company, the Company deviated from this code provision. The Board considered that this management structure was effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board was of the view that it was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and the Shareholders. The Board would review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

In view of the above, the Board had an agenda to search for an appropriate candidate to take up the role of the chief executive officer from Mr. Wu Min. After all the relevant internal procedures, Mr. Qiu Wei was selected and appointed by a resolution duly passed by the Board as the chief executive officer of the Company in substitution of Mr. Wu Min on 18 October 2021. The appointment of Mr. Qiu Wei as the chief executive officer of the Company enabled the due compliance by the Company with Code Provision C.2.1 of the CG Code from 18 October 2021 to 31 December 2021.

Save as disclosed above, during the Reporting Year, the Company has complied with the principles and code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 to all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

ANNUAL RESULTS AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has held a meeting with the auditors of the Company to review the annual results of the Group for the year ended 31 December 2021.

The figures in respect of the results announcement of the Group for the year ended 31 December 2021 have been compared and agreed by the Group's auditors, PricewaterhouseCoopers, with the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong

Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 26 May 2022. A notice convening the annual general meeting of the Company will be published and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both dates inclusive) and from Wednesday, 1 June 2022 to Thursday, 2 June 2022 (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 Friday, 20 May 2022. 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 Tuesday, 31 May 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cnhuirong.com). The annual report for the year ended 31 December 2021 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

DEFINITION

Unless otherwise required by the context, terms used in this announcement shall have the same meanings as those defined in the interim report 2021.

By Order of the Board
China Huirong Financial Holdings Limited
WU Min
Chairman

Suzhou, China, 25 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng, Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.