Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

揚州市廣陵區泰和農村小額貸款股份有限公司

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

(Stock Code: 1915)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	2022 RMB'000	2021 RMB'000	**Changes**
OPERATING RESULTS			
Interest income	**51,909**	60,546	-14.3%
Profit/(loss) for the year attributable to owners of the parent	**(9,622)**	4,561	-311.0%
Basic earnings/(loss) per share	**(0.02)**	0.01	-314.5%
FINANCIAL POSITION			
Loans and accounts receivables	**876,876**	803,143	9.2%
Share capital	**600,000**	600,000	0.0%
Total assets	**897,809**	904,476	-0.7%
Net assets	**880,191**	887,726	-0.8%
Net assets attributable to owners of the parent	**878,104**	887,726	-1.1%
Dividends			
– Proposed final dividend (per share)	–	–	N/A

The board (the "**Board**") of directors (the "**Director(s)**") of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with comparative figures for the year ended 31 December 2021, as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022
(Amounts expressed in RMB unless otherwise stated)

	Notes	**Year ended 31 December** **2022**	2021
Interest income	5	**51,909,146**	60,545,780
Interest expense	5	**(108,023)**	(200,093)
Interest income, net	5	**51,801,123**	60,345,687
Accrual of provision for impairment losses	15/22	**(51,565,498)**	(46,944,460)
Reversal of provision for guarantee losses	23	**897,628**	452,190
Administrative expenses	6	**(12,384,225)**	(11,073,414)
Selling and marketing expenses	7	**(2,761,101)**	(316,727)
Share of loss of an associate		**–**	(83,115)
Other revenues and other gains	8	**3,341,565**	4,127,009
Other expenses	9	**(611,230)**	(97,895)
PROFIT/(LOSS) BEFORE TAX		**(11,281,738)**	6,409,275
Income tax benefit/(expense)	12	**1,496,735**	(1,848,387)
PROFIT/(LOSS) AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(9,785,003)**	4,560,888
ATTRIBUTABLE TO:			
Owners of the parent		**(9,621,937)**	4,560,888
Non-controlling interests		**(163,066)**	–
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**(0.02)**	0.01
Diluted		**(0.02)**	0.01

Consolidated Statement of Financial Position

31 December 2022
(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 31 December 2022	2021
ASSETS			
Cash and cash equivalents	14	**1,639,818**	5,608,151
Loans and accounts receivables	15	**876,875,969**	803,142,509
Investment in an associate	16	**–**	79,916,885
Equity investments designated at fair value through other comprehensive income	17	**500,000**	–
Goodwill	18	**2,059,114**	2,059,114
Intangible assets	19	**14,295**	22,628
Property and equipment	20	**2,154,224**	5,258,416
Deferred tax	21	**9,471,916**	6,772,583
Other assets	22	**5,093,328**	1,696,112
TOTAL ASSETS		**897,808,664**	904,476,398
LIABILITIES			
Deferred income		**–**	307,729
Income tax payable		**1,818,345**	1,841,549
Liabilities from guarantees	23	**106,934**	1,004,562
Lease liabilities	24	**714,524**	2,555,624
Contract liabilities	25	**53,573**	–
Other liabilities	26	**14,924,444**	11,041,087
TOTAL LIABILITIES		**17,617,820**	16,750,551
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**600,000,000**	600,000,000
Reserves	28	**113,204,683**	113,204,683
Retained earnings		**164,899,227**	174,521,164
Equity attributable to owners of the parent		**878,103,910**	887,725,847
Non-controlling interests		**2,086,934**	–
TOTAL EQUITY		**880,190,844**	887,725,847
TOTAL EQUITY AND LIABILITIES		**897,808,664**	904,476,398

Bai Li
Director

Zhou Yinqing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022
(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent							
		Reserves						
	Paid-in capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021	600,000,000	54,417,191	48,964,588	9,302,558	170,480,622	883,164,959	–	883,164,959
Profit for the year and total comprehensive income	–	–	–	–	4,560,888	4,560,888	–	4,560,888
Appropriation to surplus reserve	–	–	520,346	–	(520,346)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–
Balance as at 31 December 2021	600,000,000	54,417,191	49,484,934	9,302,558	174,521,164	887,725,847	–	887,725,847
Balance as at 1 January 2022	**600,000,000**	**54,417,191**	**49,484,934**	**9,302,558**	**174,521,164**	**887,725,847**	**–**	**887,725,847**
Loss for the year and total comprehensive income	**–**	**–**	**–**	**–**	**(9,621,937)**	**(9,621,937)**	**(163,066)**	**(9,785,003)**
Capital injections from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**2,250,000**	**2,250,000**
Balance as at 31 December 2022	**600,000,000**	**54,417,191**	**49,484,934**	**9,302,558**	**164,899,227**	**878,103,910**	**2,086,934**	**880,190,844**

Consolidated Statement of Cash Flows

Year ended 31 December 2022
(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2022	2021
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(11,281,738)**	6,409,275
Adjustments for:			
Depreciation and amortisation	19/20	**1,830,811**	1,998,504
Accrual of provision for impairment losses	15/22	**51,565,498**	46,944,460
Reversal of provision for guarantee losses	23	**(897,628)**	(452,190)
Accreted interest on impaired loans	5	**(723,639)**	(697,110)
Net loss/(gain) on disposal of property and equipment and other assets	8/9	**75,435**	(9,850)
Interest expense	5	**108,023**	200,093
Share of loss of an associate	16	**–**	83,115
Loss on return of investment in an associate	9	**210,421**	–
Foreign exchange (gain)/loss, net		**(22)**	7
		40,887,161	54,476,304
(Increase)/Decrease in loans and accounts receivable		**(125,698,709)**	44,035,971
Increase in other assets		**(2,751,427)**	(22,560)
Increase/(Decrease) in other liabilities		**4,032,842**	(157,497)
Net cash flows (used in)/from operating activities before tax		**(83,530,133)**	98,332,218
Income tax paid		**(1,225,802)**	(12,793,789)
Net cash flows (used in)/from operating activities		**(84,755,935)**	85,538,429
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from acquisition of a subsidiary		**–**	1,037,880
Proceeds from disposal of property and equipment		**79,604**	500
Purchases of property and equipment and other long-term assets		**(48,488)**	(860,947)
Purchases of equity investments designated at fair value through other comprehensive income	17	**(500,000)**	–
Purchase of shareholdings for an associate		**–**	(80,000,000)
Return of capital from an associate	16	**79,706,464**	–
Net cash flows from/(used in) investing activities		**79,237,580**	(79,822,567)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of borrowings	29	**–**	(127,296)
Capital injections from non-controlling interests		**2,250,000**	–
Repayment of lease liabilities	29	**(554,688)**	(542,316)
Interest paid	29	**(145,312)**	(241,830)
Net cash flows from/(used in) financing activities		**1,550,000**	(911,442)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,968,355)**	4,804,420
Cash and cash equivalents at beginning of the year		**5,608,151**	803,738
Effect of foreign exchange rate changes, net		**22**	(7)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**1,639,818**	5,608,151

Notes to Financial Statements

31 December 2022
(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

Yangzhou Guangling District Taihe Rural Micro-finance Company Limited ("**Taihe Micro-credit**" or the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") on 12 November 2008 based on "Su Jin Rong Ban Fa [2008] No 47" issued by the Pilot Leading Group Office for Rural Micro-finance Organisations of Jiangsu Province.

According to the resolution of the shareholders' meeting on 8 August 2012 and "Yang Fu Jin [2012] No. 77" approved by the Yangzhou Municipal Government Financial Office, the Company was converted from a limited liability company to a joint stock company on 10 August 2012. Upon its conversion, the Company issued 260 million shares at a par value of RMB1 each to its shareholders, based on the asset appraisal result of RMB300.48 million in respect of its net assets in the financial statements as at 31 July 2012.

In May 2017, the Company conducted a public offering of overseas listed foreign shares ("**H shares**"). Upon the completion of the H share offering, the issued capital was increased to RMB600 million. The Company's H shares are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange and the trading of its H shares commenced on 8 May 2017. Upon the approval of the Hong Kong Stock Exchange, the Company's H shares have been listed on the Main Board and delisted from the Growth Enterprise Market by way of Transfer of Listing since the last day of trading on 17 July 2019.

The Company obtained its business licence with Unified Social Credit No. 91321000682158920M. The legal representative of the Company is Bo Wanlin. Its registered office is located at Beizhou Road, Lidian Village, Guangling District, Yangzhou City.

The principal activities of the Company and its subsidiaries (the "**Group**") are including granting of loans to "Agriculture, Rural Areas and Farmers", providing service of financial guarantees, and acting as an agent providing automotive services and others.

In the opinion of the directors, the holding company and the ultimate holding company of the Group is Jiangsu Botai Group Co., Ltd., which is incorporated in the People's Republic of China.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation	Issued registered share capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Hainan Luhang Lianche Technology Co., Ltd. (海南路航鏈車科技有限公司) *	PRC/ Mainland China	RMB 100,000,000	100%	–	Internet and related services
Hainan Jialan Information Technology Co., Ltd. (海南迦藍信息技術有限責任公司) **	PRC/ Mainland China	RMB 5,000,000	–	55%	Internet and related services
Shenzhen Qianhai Road Chain Car Technology Co., Ltd. (深圳前海路航鏈車科技有限公司) ***	PRC/ Mainland China	RMB 1,000,000	–	55%	Internet and related services

* The subsidiary was established on 21 June 2021.

** The subsidiary was acquired by Hainan Luhang Lianche Technology Co., Ltd. on 12 October 2021.

*** The subsidiary was acquired by Hainan Jialan Information Technology Co., Ltd. on 7 June 2021.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") except when otherwise indicated.

2. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual improvements to IFRSs 2018-2020	Amendments to IFRS1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current* (the "2020 Amendments") [2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments") [2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application on IFRS 17

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Interest income

Interest income on loans is measured on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e. the original effective interest rate.

Guarantee fee income

Revenue from the provision of guarantee services is recognised over the period of the guarantee on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue from the sale of goods is recognised when control of the goods has transferred. Control of goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods.

Fees and commission income

The fees and commission income generated from a diversified range of services provided by the Group to its customers are recognised when the control of services is transferred to customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Notes to Financial Statements

31 December 2022
(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives, residual rates and annual depreciation rates used for this purpose are as follows:

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Motor vehicles	4 to 10 years	0%	10% - 25%
Fixtures and furniture	5 to 10 years	0%	10% - 20%
Leasehold improvements	Over the shorter period of the lease terms and the useful lives of the assets		

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease terms as follows:

Buildings	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate).

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases is recognised as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Group's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and at fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income ("**FVOCI**") when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group may consider a financial asset to be in default taking into account quantitative and qualitative criteria as disclosed in Note 35. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable and other receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contains a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expense in the statement of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present (legal or constructive) obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss and other comprehensive income.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Employee retirement scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Group has no obligation for the payment of pension benefits beyond the contributions described above.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the shareholders and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Group. Dividends for the year that are approved after the end of the reporting period is disclosed as an event after the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Impairment losses on loans receivable

The measurement of impairment losses under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal rating grade model, which assigns probabilities of default to the individual grades;
- The Group's criteria for evaluating whether there has been a significant increase in credit risk and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of associations between the forecast economic conditions and the effect on probabilities of default (PD), losses given default (LGD) and exposures at default (EAD).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB2,059,114 (2021: RMB2,059,114). Further details are given in note 18.

(Amounts expressed in RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Group makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the prevailing conditions affecting the Group.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. INTEREST INCOME, NET

	Year ended 31 December	
	2022	2021
Interest income on:		
Loans receivable	**51,904,922**	60,536,920
Cash at banks	**4,224**	8,860
Subtotal	**51,909,146**	60,545,780
Interest expense on:		
Lease liabilities	**(108,023)**	(197,069)
Borrowings from other institutions	**–**	(3,024)
Subtotal	**(108,023)**	(200,093)
Interest income, net	**51,801,123**	60,345,687
Included: Interest income from impaired loans (Note 15)	**723,639**	697,110

(Amounts expressed in RMB unless otherwise stated)

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2022	2021
Staff costs	**4,746,005**	3,763,641
Tax and surcharges	**295,629**	357,258
Depreciation and amortisation (Notes 19/20)	**1,829,481**	1,998,504
Auditor's remuneration	**1,696,984**	1,649,057
Office expenses	**242,473**	100,473
Entertainment expenses	**920,503**	580,458
Service fee	**1,640,625**	1,869,784
Others	**1,012,525**	754,239
Total	**12,384,225**	11,073,414

7. SELLING AND MARKETING EXPENSES

	Year ended 31 December	
	2022	2021
Staff costs	**754,356**	161,253
Depreciation and amortisation (Notes 19/20)	**1,330**	—
Entertainment expenses	**24,023**	23,598
Service fee for marketing and promotional	**1,927,243**	99,500
Others	**54,149**	32,376
Total	**2,761,101**	316,727

(Amounts expressed in RMB unless otherwise stated)

8. OTHER REVENUES AND OTHER GAINS

	Year ended 31 December	
	2022	2021
Guarantee fee income	**354,899**	1,808,985
Government grants	**2,390,048**	2,050,100
Sale of goods	**594,438**	253,696
Foreign exchange gain	**22**	–
Gain on disposal of fixed assets	**–**	9,850
Others	**2,158**	4,378
Total	**3,341,565**	4,127,009

9. OTHER EXPENSES

	Year ended 31 December	
	2022	2021
Cost of sales	**278,329**	19,502
Loss on return of investment in an associate	**210,421**	–
Foreign exchange loss	**–**	7
Loss on disposal of fixed assets	**75,039**	–
Fees and commission expenses	**47,431**	59,043
Others	**10**	19,343
Total	**611,230**	97,895

(Amounts expressed in RMB unless otherwise stated)

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Year ended 31 December 2022

Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	–	**–**	**–**	**–**
Ms. Bai Li	Executive director and chief executive	–	**300,000**	**95,426**	**395,426**
Ms. Zhou Yinqing	Executive director	–	**240,000**	**85,931**	**325,931**
Mr. Bo Nianbin	Non-executive director	–	**–**	**–**	**–**
Mr. Zuo Yuchao	Non-executive director	–	**–**	**–**	**–**
Mr. Chan So Kuen	Non-executive director	–	**102,927**	**–**	**102,927**
Mr. Wu Xiankun	Non-executive director	–	**20,000**	**–**	**20,000**
Mr. Bao Zhenqiang	Non-executive director	–	**20,000**	**–**	**20,000**
Mr. Zhang Yi	Supervisor	–	**240,000**	**59,779**	**299,779**
Ms. Wang Chunhong	Supervisor	–	**20,000**	**–**	**20,000**
Ms. Li Guoyan	Supervisor	–	**20,000**	**–**	**20,000**
		–	**962,927**	**241,136**	**1,204,063**

Year ended 31 December 2021

Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	–	–	–	–
Ms. Bai Li	Executive director and chief executive	–	300,000	86,308	386,308
Ms. Zhou Yinqing	Executive director	–	240,000	83,318	323,318
Mr. Bo Nianbin	Non-executive director	–	–	–	–
Mr. Zuo Yuchao	Non-executive director	–	–	–	–
Mr. Chan So Kuen	Non-executive director	–	98,927	–	98,927
Mr. Wu Xiankun	Non-executive director	–	20,000	–	20,000
Mr. Bao Zhenqiang	Non-executive director	–	20,000	–	20,000
Mr. Zhang Yi	Supervisor	–	250,467	34,734	285,201
Ms. Wang Chunhong	Supervisor	–	20,000	–	20,000
Ms. Li Guoyan	Supervisor	–	20,000	–	20,000
		–	969,394	204,360	1,173,754

(Amounts expressed in RMB unless otherwise stated)

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

No director, supervisor or senior management staff has waived or agreed to waive any emoluments for the year ended 31 December 2022.

During the year, there was no amount paid or payable by the Company to the directors or the supervisors as discretionary bonuses.

During the year, there was no amount paid or payable by the Company to the directors, the supervisors, senior management or any of the five highest paid individuals set out in Note 11 below as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID INDIVIDUALS

Three directors (one was also the chief executive) were amongst the five highest paid individuals during the year (2021: three directors (one was also the chief executive)), details of whose remuneration are set out in Note 10 above. Details of the remuneration of the remaining two (2021: two) highest paid employees for the year who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2022	2021
Salaries, allowances and benefits in kind	**189,700**	302,917
Pension scheme contributions	**60,197**	61,122
	249,897	364,039

The number of non-director and non-chief executive highest paid employees, whose remuneration fell within the following band, is as follows:

	Year ended 31 December	
	2022	2021
Nil – RMB1,000,000	**2**	2

(Amounts expressed in RMB unless otherwise stated)

12. INCOME TAX EXPENSE/(BENEFIT)

	Year ended 31 December	
	2022	2021
Current income tax	**1,202,598**	710,558
Deferred income tax	**(2,699,333)**	1,137,829
	(1,496,735)	1,848,387

A reconciliation of the tax expense/(benefit) applicable to profit/(loss) before tax using the statutory rate for the jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2022	2021
Profit/(Loss) before tax	(11,281,738)	6,409,275
Tax at the applicable tax rate	(2,820,435)	1,602,319
Share of loss of an associate	(20,779)	20,779
Expenses not deductible for tax	304,550	64,646
Deductible loss of unrecognised deferred income tax assets	1,039,929	160,643
Total tax expense/(benefit) for the year at the Group's effective tax rate	(1,496,735)	1,848,387

(Amounts expressed in RMB unless otherwise stated)

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the parent, and the weighted average number of ordinary shares in issue for the year as follows:

	Year ended 31 December	
	2022	2021
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(9,785,003)**	4,560,888
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation (i)	**600,000,000**	600,000,000
Basic and diluted earnings/(loss) per share	**(0.02)**	0.01

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2022	2021
Issued ordinary shares at the beginning of the year	**600,000,000**	600,000,000
Weighted average number of ordinary shares at the end of the year	**600,000,000**	600,000,000

There were no dilutive potential ordinary shares during the reporting period, and therefore, the diluted earnings/(loss) per share amount is the same as the basic earnings/(loss) per share amount.

14. CASH AND CASH EQUIVALENTS

	31 December	
	2022	2021
Cash from a third party	**9,095**	76,890
Cash at banks	**1,630,723**	5,531,261
	1,639,818	5,608,151

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB1,639,818 (As at 31 December 2021: RMB5,608,151).

15. LOANS AND ACCOUNTS RECEIVABLES

	31 December	
	2022	2021
Guaranteed loans	**923,245,613**	831,587,137
Collateral-backed loans	**712,508**	4,683,565
Unsecured loans	**209,817**	1,621,979
Loans receivable	**924,167,938**	837,892,681
Less: Allowance for impairment losses	**47,354,190**	34,847,821
Net loans receivable	**876,813,748**	803,044,860
Accounts receivable	**64,181**	100,060
Less: Allowance for impairment losses	**1,960**	2,411
Net accounts receivable	**62,221**	97,649
Total of loans and accounts receivables	**876,875,969**	803,142,509

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system (Five-tier Principle) and year-end staging classification.

	31 December 2022			
Internal rating grades	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Normal	**862,333,174**	**–**	**–**	**862,333,174**
Special mention	**–**	**32,721,892**	**–**	**32,721,892**
Sub-standard	**–**	**–**	**10,200,000**	**10,200,000**
Doubtful	**–**	**–**	**13,854,646**	**13,854,646**
Loss	**–**	**–**	**5,058,226**	**5,058,226**
Total	**862,333,174**	**32,721,892**	**29,112,872**	**924,167,938**

	31 December 2021			
Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	792,501,256	–	–	792,501,256
Special mention	–	12,477,113	–	12,477,113
Sub-standard	–	–	28,413,437	28,413,437
Doubtful	–	–	2,251,019	2,251,019
Loss	–	–	2,249,856	2,249,856
Total	792,501,256	12,477,113	32,914,312	837,892,681

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

An analysis of changes in the outstanding exposures is as follows:

	Stage 1 (12-month ECLs)	**Stage 2 (Lifetime ECLs)**	**Stage 3 (Lifetime ECLs – impaired)**	**Total**
Outstanding exposure as at 31 December 2021	**792,501,256**	**12,477,113**	**32,914,312**	**837,892,681**
New exposures	**862,340,006**	**–**	**–**	**862,340,006**
Exposure derecognised	**(726,111,587)**	**(2,477,113)**	**(9,247,397)**	**(737,836,097)**
Transfers to Stage 2	**(32,728,724)**	**32,728,724**	**–**	**–**
Transfers to Stage 3	**(33,667,777)**	**(10,006,832)**	**43,674,609**	**–**
Amounts written off	**–**	**–**	**(38,228,652)**	**(38,228,652)**
At 31 December 2022	**862,333,174**	**32,721,892**	**29,112,872**	**924,167,938**

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total
Outstanding exposure as at 31 December 2020	905,290,855	–	27,387,697	932,678,552
New exposures	794,397,111	–	–	794,397,111
Exposure derecognised	(834,122,090)	–	(4,310,992)	(838,433,082)
Transfers to Stage 2	(14,500,318)	14,500,318	–	–
Transfers to Stage 3	(58,564,302)	(2,023,205)	60,587,507	–
Amounts written off	–		(50,749,900)	(50,749,900)
At 31 December 2021	792,501,256	12,477,113	32,914,312	837,892,681

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

An analysis of changes of the corresponding expected credit losses ("ECLs") is as follows:

	Stage 1 (12-month ECLs)	**Stage 2 (Lifetime ECLs)**	**Stage 3 (Lifetime ECLs – impaired)**	**Total ECL allowance**
ECLs as at 31 December 2021	**19,137,422**	**1,312,561**	**14,397,838**	**34,847,821**
Net charge of the impairment	**8,682,167**	**1,973,829**	**40,802,664**	**51,458,660**
Transfers to Stage 2	**(790,381)**	**790,381**	**–**	**–**
Transfers to Stage 3	**(682,614)**	**(317,152)**	**999,766**	**–**
Accreted interest on impaired loans (Note 5)	**–**	**–**	**(723,639)**	**(723,639)**
Amounts written off	**–**	**–**	**(38,228,652)**	**(38,228,652)**
At 31 December 2022	**26,346,594**	**3,759,619**	**17,247,977**	**47,354,190**

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total ECL allowance
ECLs as at 31 December 2020	20,589,922	–	18,756,359	39,346,281
Net charge/(reversal) of the impairment	212,121	1,192,761	45,543,668	46,948,550
Transfers to Stage 2	(332,636)	332,636	–	–
Transfers to Stage 3	(1,331,985)	(212,836)	1,544,821	–
Accreted interest on impaired loans (Note 5)	–	–	(697,110)	(697,110)
Amounts written off	–	–	(50,749,900)	(50,749,900)
At 31 December 2021	19,137,422	1,312,561	14,397,838	34,847,821

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

Movement in impairment of accounts receivables:

	31 December	
	2022	2021
At beginning of year	**2,411**	–
Charge for the year	**(451)**	2,411
At end of year	**1,960**	2,411

16. INVESTMENT IN AN ASSOCIATE

	31 December	
	2022	2021
Share of net assets	**–**	79,916,885
	–	79,916,885

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jiangsu Interactive Photosensitive IoT Technology Co., Ltd. (江蘇互動感光物聯科技有限公司)	Ordinary shares	PRC/Mainland China	0%	Technology promotion and application service industry

Jiangsu Interactive Photosensitive IoT Technology Co., Ltd., which was engaged in the development of technologies, products and solutions in relation to artificial intelligence and internet of things and promoting the applicability of such technologies, products and solutions, was established in 2021 and was accounted for using the equity method.

(Amounts expressed in RMB unless otherwise stated)

16. INVESTMENT IN AN ASSOCIATE (continued)

As agreed with the shareholders of the associate, the associate was deregistered on 13 December 2022. The paid-up capital was returned to the Company and the Company recognised an investment loss of RMB210,421.

The following table illustrates the summarised financial information in respect of Jiangsu Interactive Photosensitive IoT Technology Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December 2021
Current assets	**199,812,212**
Non-current assets	**–**
Current liabilities	**(20,000)**
Non-current liabilities	**–**
Net assets	**199,792,212**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**40%**
Group's share of net assets of the associate	**79,916,885**
Carrying amount of the investment	**79,916,885**
Revenue	**–**
Loss after tax and total comprehensive loss for the year	**(207,788)**
Dividend received	**–**

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2022	As at 31 December 2021
Equity Investments Designated at Fair Value Through Other Comprehensive Income		
Unlisted equity investment, at fair value		
Shenzhen Future Influence Development Co., Ltd. (深圳市未來影響力發展有限公司)	**500,000**	–
	500,000	–

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

(Amounts expressed in RMB unless otherwise stated)

18. GOODWILL

Cost at 1 January 2021, net of accumulated impairment	—
Acquisition of a subsidiary	2,059,114
At 31 December 2021	2,059,114
At 31 December 2021:	
Cost	2,059,114
Accumulated impairment	—
Net Carrying amount	2,059,114
Cost at 1 January 2022, net of accumulated impairment	**2,059,114**
Impairment during the year	**—**
Cost and net carrying amount at 31 December 2022	**2,059,114**
At 31 December 2022:	
Cost	**2,059,114**
Accumulated impairment	**—**
Net Carrying amount	**2,059,114**

Goodwill arose from the acquisition of Hainan Luhang Lianche Technology Co., Ltd. in 2021. Hainan Luhang Lianche Technology Co., Ltd. and its subsidiaries were in the early stage of business development in 2022, and they primarily provide online platform which connects consumers and merchants through technology, as well as offer automotive services, including fueling, maintenance, cleaning and repair service to address car owners' diverse service needs.

The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate. Cash flows beyond the five-year period are expected to maintain constant, which are comparable with the forecasts specific to the industry. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

(Amounts expressed in RMB unless otherwise stated)

19. INTANGIBLE ASSETS

	Software	Total
Cost:		
At 1 January 2022	26,100	26,100
Acquisition of a subsidiary	—	—
At 31 December 2022	26,100	26,100
Accumulated amortisation:		
At 1 January 2022	3,472	3,472
Amortisation provided during the year	8,333	8,333
Acquisition of a subsidiary	—	—
At 31 December 2022	11,805	11,805
Net carrying amount		
At 1 January 2022	22,628	22,628
At 31 December 2022	14,295	14,295
Cost:		
At 1 January 2021	—	—
Acquisition of a subsidiary	26,100	26,100
At 31 December 2021	26,100	26,100
Accumulated amortisation:		
At 1 January 2021	—	—
Amortisation provided during the year	1,389	1,389
Acquisition of a subsidiary	2,083	2,083
At 31 December 2021	3,472	3,472
Net carrying amount		
At 1 January 2021	—	—
At 31 December 2021	22,628	22,628

(Amounts expressed in RMB unless otherwise stated)

20. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use assets	Total
Cost:					
At 1 January 2021	2,025,634	1,475,484	10,539,725	2,755,538	16,796,381
Additions	293,009	361,410	170,709	14,150	839,278
Acquisition of a subsidiary	–	67,241	–	1,367,408	1,434,649
Deductions	(113,757)	–	–	(181,406)	(295,163)
At 31 December 2021	2,204,886	1,904,135	10,710,434	3,955,690	18,775,145
Additions	–	5,840	42,648	–	48,488
Deductions	(293,009)	–	–	(1,367,408)	(1,660,417)
At 31 December 2022	**1,911,877**	**1,909,975**	**10,753,082**	**2,588,282**	**17,163,216**
Accumulated depreciation:					
At 1 January 2021	1,574,975	914,716	8,064,629	1,056,888	11,611,208
Depreciation charge for the year	347,545	236,996	789,728	622,846	1,997,115
Acquisition of a subsidiary	–	1,608	–	74,927	76,535
Deductions	(113,757)	–	–	(54,372)	(168,129)
At 31 December 2021	1,808,763	1,153,320	8,854,357	1,700,289	13,516,729
Depreciation charge for the year	243,514	261,816	758,888	558,260	1,822,478
Deductions	(140,400)	–	–	(189,815)	(330,215)
At 31 December 2022	**1,911,877**	**1,415,136**	**9,613,245**	**2,068,734**	**15,008,992**
Net carrying amount:					
At 31 December 2021	396,123	750,815	1,856,077	2,255,401	5,258,416
At 31 December 2022	**–**	**494,839**	**1,139,837**	**519,548**	**2,154,224**

As at 31 December 2022, none of the Group's property and equipment was pledged (As at 31 December 2021: Nil).

(Amounts expressed in RMB unless otherwise stated)

21. DEFERRED TAX

(a) Analysed by nature

	31 December			
	2022		2021	
	Deductible temporary differences	**Deferred income tax assets**	Deductible temporary differences	Deferred income tax assets
Impairment allowance	**38,152,538**	**9,538,135**	26,492,909	6,623,227
Liabilities from guarantees	**106,934**	**26,734**	1,004,562	251,141
Deferred income	**–**	**–**	307,729	76,932
Leases	**183,568**	**45,891**	291,598	72,900
Depreciation	**(555,376)**	**(138,844)**	(1,006,466)	(251,617)
Deferred income tax	**37,887,664**	**9,471,916**	27,090,332	6,772,583

(b) Movements of deferred tax assets and liabilities

Deferred tax assets

	Impairment allowance	**Liabilities from guarantees**	**Deferred income**	**Others**	**Total**
At 1 January 2021	7,539,340	364,189	194,461	25,900	8,123,890
Recognised in profit or loss	(916,113)	(113,048)	(117,529)	47,000	(1,099,690)
At 31 December 2021	6,623,227	251,141	76,932	72,900	7,024,200
Recognised in profit or loss	2,914,908	(224,407)	(76,932)	(27,009)	2,586,560
At 31 December 2022	9,538,135	26,734	–	45,891	9,610,760

(Amounts expressed in RMB unless otherwise stated)

21. DEFERRED TAX (continued)

(b) Movements of deferred tax assets and liabilities (continued)

Deferred tax liabilities

	Depreciation of property and equipment
At 1 January 2021	(213,478)
Recognised in profit or loss	(38,139)
At 31 December 2021	(251,617)
Recognised in profit or loss	**112,773**
At 31 December 2022	**(138,844)**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December 2022	As at 31 December 2021
Net deferred tax assets recognised in the statement of financial position	**9,471,916**	6,772,583

(Amounts expressed in RMB unless otherwise stated)

22. OTHER ASSETS

	Note	31 December 2022	2021
Inventories		**146,201**	174,544
Prepayments		**3,191,740**	339,929
Other receivables		**619,692**	754,916
Repossessed assets	(i)	**1,194,800**	432,600
Less:Allowance for other receivables		**59,105**	5,877
		5,093,328	1,696,112

Notes:

(i) The repossessed assets are properties located at Yangzhou City, Jiangsu Province in the PRC. The Company plans to dispose of the repossessed asset held at 31 December 2022 by auction or transfer.

Movements of allowance for doubtful debts are as follows:

	31 December 2022	2021
As at 1 January	**5,877**	113,638
Charge/(reversal) for the year	**107,289**	(6,501)
Amount written off as uncollectible	**(54,061)**	(101,260)
As at 31 December	**59,105**	5,877

As comparable companies with credit ratings for most of the counterparties are hard to identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group based on an ageing analysis of other receivables. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

(Amounts expressed in RMB unless otherwise stated)

22. OTHER ASSETS (continued)

Set out below are the maximum exposure to credit risk and expected credit losses on other receivables based on the ageing analysis.

	31 December 2022			
Ageing analysis	**Gross carrying amount**		**Expected credit loss**	
	Amount	**Percentage**	**Amount**	**Expected credit loss rate**
Up to 90 days	511,307	82.51%	–	0.00%
91 to 365 days	66,150	10.67%	21,870	33.06%
Over 365 days	42,235	6.82%	37,235	88.16%
Total	619,692	100.00%	59,105	9.54%

	31 December 2021			
Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	749,039	99.22%	–	0.00%
91 to 365 days	–	–	–	–
Over 365 days	5,877	0.78%	5,877	100.00%
Total	754,916	100.00%	5,877	0.78%

(Amounts expressed in RMB unless otherwise stated)

23. LIABILITIES FROM GUARANTEES

Liabilities from guarantees are provisions made for the guarantees. The table below shows the changes in the expected credit losses ("ECLs") for the outstanding exposure of guarantees.

	Stage 1 (12-month ECLs) Collectively assessed	**Total**
ECLs as at 31 December 2020	1,456,752	1,456,752
New exposure	1,004,562	1,004,562
Exposure derecognised	(1,456,752)	(1,456,752)
At 31 December 2021	1,004,562	1,004,562
New exposure	—	—
Exposure derecognised	(897,628)	(897,628)
At 31 December 2022	**106,934**	**106,934**

24. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	31 December	
	2022	2021
Carrying amount at 1 January	**2,555,624**	1,959,236
Additions as a result of acquisition of a subsidiary	**—**	1,302,685
Adjustment of fixed payment amount	**(1,249,123)**	(122,244)
Accretion of interest recognised during the year	**108,023**	197,069
Payments	**(700,000)**	(781,122)
	714,524	2,555,624

(Amounts expressed in RMB unless otherwise stated)

25. CONTRACT LIABILITIES

	31 December	
	2022	2021
Short-term advances received from customers		
Membership fees	**53,573**	–
	53,573	–

26. OTHER LIABILITIES

	31 December	
	2022	2021
Employee payables	**6,344,113**	3,100,000
Accrued expenses	**2,005,190**	2,093,448
Payrolls payable	**656,780**	978,075
Other tax payables	**654,181**	666,451
Other payables	**5,264,180**	4,203,113
	14,924,444	11,041,087

27. SHARE CAPITAL

	31 December	
	2022	2021
Issued and fully paid	**600,000,000**	600,000,000

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in consolidated the statement of changes in equity.

Capital reserve

The capital reserve comprises share premium arising from the difference between the par value of the shares issued by the Company and the net asset value in the financial statements as at 31 July 2012 during the process of conversion of the Company into a joint stock company and the difference between the par value of the shares of the Company and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

The surplus reserve represents the statutory surplus reserve.

The Company and its subsidiaries are required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

General reserve

According to the <Financial regulations of micro-finance rural companies in Jiangsu (Trial)> (Su Cai Gui [2009] No.1), the Company is required to set aside a general reserve which is not less than 1% of the ending balance of loans receivable through equity.

(Amounts expressed in RMB unless otherwise stated)

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities are as follows:

	Borrowings from other institutions	Lease liabilities	Total
At 1 January 2021	127,296	1,959,236	2,086,532
New leases	—	—	—
Additions as a result of acquisition of a subsidiary	—	1,302,685	1,302,685
Adjustment of fixed payment amount	—	(122,244)	(122,244)
Repayment of the instalment loan	(127,296)	—	(127,296)
Repayment of lease liabilities	—	(542,316)	(542,316)
Interest expense	3,024	197,069	200,093
Repayment of interest expense	(3,024)	(238,806)	(241,830)
At 31 December 2021	—	2,555,624	2,555,624
Adjustment of fixed payment amount	—	(1,249,123)	(1,249,123)
Repayment of lease liabilities	—	(554,688)	(554,688)
Interest expense	—	108,023	108,023
Repayment of interest expense	—	(145,312)	(145,312)
At 31 December 2022	**—**	**714,524**	**714,524**

(b) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December	
	2022	2021
Within financing activities	**700,000**	781,122
	700,000	781,122

(Amounts expressed in RMB unless otherwise stated)

30. RELATED PARTY TRANSACTIONS

(a) Leasing

	Note	Year ended 31 December 2022	2021
Depreciation of right-of-use assets	(i)	**519,548**	519,535
Interest expense on lease liabilities	(i)	**96,057**	159,833

Note:

(i) The Group entered into a lease contract in respect of the Group's office with an entity with significant influence over the Group. As at 28 November 2017, the Group agreed with the lessor and renewed the lease contract. The leasing period was from 1 January 2018 to 31 December 2020. In January 2021, the Group has agreed with the lessor and renewed the lease contract. The leasing period is from 1 January 2021 to 31 December 2023.

The depreciation of right-of-use assets and interest expense on lease liabilities for the year ended 31 December 2022 were RMB519,548 (2021: RMB519,535) and RMB 96,057 (2021: RMB159,833), respectively.

(b) Key management personnel's remuneration

	Year ended 31 December 2022	2021
Key management personnel's remuneration	**1,204,063**	1,089,394

The remuneration for key management personnel includes amounts paid to certain directors and the chief executive of the Company as disclosed in Note 10.

(Amounts expressed in RMB unless otherwise stated)

30. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

	Note	Year ended 31 December 2022	2021
Entity with significant influence over the Group:			
Liantai Guangchang	(i)	**714,524**	1,318,466
Total		**714,524**	1,318,466

Note:

(i) As at 31 December 2022, the outstanding balance of the Group's lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. ("Liantai Guangchang") was RMB 714,524 (as at 31 December 2021: RMB1,318,466).

31. SEGMENT INFORMATION

Almost all of the Group's revenue was generated from the provision of loans to small and medium-sized and micro enterprises ("**SMEs**") located at Yangzhou, Jiangsu Province in the PRC during the reporting period. There is no other main segment except for the loan business.

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements were as follows:

	31 December 2022	2021
Financial guarantee contracts	**3,500,000**	41,600,000

33. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

(Amounts expressed in RMB unless otherwise stated)

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	31 December	
	2022	2021
Financial assets		
Equity instruments designated at fair value through other comprehensive income	**500,000**	–
Financial assets at amortised cost		
– Cash and cash equivalents	**1,639,818**	5,608,151
– Loans and accounts receivables	**876,875,969**	803,142,509
– Other receivables	**560,587**	749,039
	879,576,374	809,499,699

	31 December	
	2022	2021
Financial liabilities		
Financial liabilities at amortised cost		
– Other payables	**9,453,802**	5,236,880
– Lease liabilities	**714,524**	2,555,624
	10,168,326	7,792,504

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The main risks arising from the Group's financial instruments include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group has no significant exposures to other financial risks except for those disclosed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group manages the loans granted to SMEs, micro-enterprises and individual proprietors with the same rules and procedures. There is also credit risk in off-balance sheet financial instruments, which mainly consist of financial guarantees.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures; and
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, the granting of credit limit, loan evaluation, loan review and approval, the granting of loans and post-disbursement loan monitoring.

A loan classification approach has been adopted to manage loan portfolio risk. The loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- Special mention: borrowers are currently able to service their loans and interest, though repayment may be adversely affected by specific factors.
- Substandard: borrowers' ability to service their loans is in question and borrowers cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral items or guarantees are invoked.
- Doubtful: borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To enhance the credit risk management practices, the Group also launches training programmes periodically for credit officers at different levels.

Financial guarantees carry similar credit risk to loans and the Group takes a similar approach on risk management.

The Group's financial assets include cash at banks, loans receivable, accounts receivable and other receivables. The credit risk of these assets mainly arose from the counterparties' failure to discharge their contractual obligations, with major exposure equal to the carrying amounts.

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement

The Group conducted an assessment of ECLs according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and debtor's creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of a credit-impaired financial asset
- Parameters for measuring ECLs
- Forward-looking information

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of each reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered significant comparing with the one at initial recognition

Qualitative criteria

- Significant adverse change in the debtor's operation or financial status
- Be classified into the special mention category within the five-tier loan classification

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment of a debtor has occurred, the following factors are mainly considered:

- Significant financial difficulty of the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest, or principal payments are overdue; and
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring.

  The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime. The key measuring parameters of ECLs include the probability of PD, LGD and EAD. The Group takes into account the quantitative analysis of historical statistics (such as the internal rating grade, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the models of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime; and
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of both a significant increase in credit risk and the calculation of ECLs involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs, such as GDP growth, Central Bank base rates and price indices.

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The Group implements guidelines on the acceptability of specific classes of collateral from customers. The principal collateral types for loans to customers are:

- Real estate, including residential and commercial properties; and
- Equipment.

The Group also focuses on ascertaining legal ownership, condition and the valuation of the collateral. A collateral-backed loan is granted on the basis of the fair value of the collateral. The Group continues to monitor the value of the collateral throughout the loan period.

The following table sets out a breakdown of the Group's overdue loans by security as of the dates indicated:

At 31 December 2022	**Overdue within 3 months**	**Overdue for more than 3 to 12 months**	**Overdue for more than 1 year**	**Total**
Guaranteed loans	**32,721,363**	**28,200,000**	**–**	**60,921,363**
Collateral-backed loans	**–**	**–**	**712,508**	**712,508**
Unsecured loans	**2,153**	**72,986**	**125,755**	**200,894**
	32,723,516	**28,272,986**	**838,263**	**61,834,765**

At 31 December 2021	Overdue within 3 months	Overdue for more than 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	21,337,880	20,249,705	249,856	41,837,441
Collateral-backed loans	–	2,888,682	338,268	3,226,950
Unsecured loans	–	126,301	–	126,301
	21,337,880	23,264,688	588,124	45,190,692

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Analysis of risk concentration

The Group manages its exposure to the concentration of credit risk by analysis by customer, geographic region and industry. The customers of the Group are located mainly in rural areas, and they are concentrated in a geographic region, Yangzhou, but the Group provides loans to a wide variety of customers that operate in different industries to mitigate its exposure to such risks. Given the regulatory restriction on the Group's geographical area of operation, there is credit risk arising from the geographic concentration.

Write-off policy

The Group writes off loans, accounts and other receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Factors indicating that there is no reasonable expectation of recovery include bankruptcy, termination or the expected cost being significantly greater than the carrying amount of loans, accounts and other receivables. The Group may write off loans, accounts and other receivables that are still subject to enforcement activity.

(b) Foreign currency risk

The Group operates principally in Mainland China with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets).

	31 December	
Changes in the HKD exchange rate	**2022 Impact on profit before tax**	2021 Impact on profit before tax
+5%	**18**	17
– 5%	**(18)**	(17)

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its cash at banks, loans receivable and interest-bearing borrowings. All of the Group's loans receivable bear interest at fixed rates. They are much influenced by the mismatch of repricing days of interest-generating assets and interest-bearing liabilities. The Group does not use derivative financial instruments to manage its interest rate risk.

The following table demonstrates the sensitivity as at the end of each reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on the floating rate of cash at banks and cash from a third party). The Group's equity is not affected, other than the consequential effect on retained earnings (a component of the Group's equity) affected by the changes in profit before tax.

	31 December	
Changes in RMB interest rate	**2022 Impact on profit before tax**	2021 Impact on profit before tax
+ 50 basis points	**8,199**	28,041
– 50 basis points	**(8,199)**	(28,041)

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group seeks to manage its liquidity risk by circulating liquidity facilities, considering the maturity date of financial instruments and estimated cash flows from operation.

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The tables below summarise the maturity profiles of the financial assets and financial liabilities of the Group based on undiscounted contractual cash flows:

	As at 31 December 2022					
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and from a third party	**1,639,818**	**–**	**–**	**–**	**–**	**1,639,818**
Loans and accounts receivables	**–**	**61,834,765**	**118,119,859**	**780,752,777**	**–**	**960,707,401**
Other assets	**619,692**	**–**	**–**	**–**		**619,692**
Subtotal	**2,259,510**	**61,834,765**	**118,119,859**	**780,752,777**	**–**	**962,966,911**
Financial liabilities:						
Other liabilities	**–**	**–**	**6,344,113**	**3,109,689**	**–**	**9,453,802**
Lease liabilities	**–**	**–**	**–**	**771,750**	**–**	**771,750**
Subtotal	**–**	**–**	**6,344,113**	**3,881,439**	**–**	**10,225,552**
Net	**2,259,510**	**61,834,765**	**111,775,746**	**776,871,338**	**–**	**952,741,359**
Off-balance sheet guarantee	**–**	**–**	**–**	**3,500,000**	**–**	**3,500,000**

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

	As at 31 December 2021					
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Cash at banks and from a third party	5,608,151	–	–	–	–	5,608,151
Loans and accounts receivables	–	45,190,692	109,588,951	719,165,771	3,205	873,948,619
Other assets	754,916	–	–	–	–	754,916
Subtotal	6,363,067	45,190,692	109,588,951	719,165,771	3,205	880,311,686
Financial liabilities:						
Other liabilities	–	–	2,136,880	3,100,000	–	5,236,880
Lease liabilities	–	–	135,000	1,105,000	1,635,000	2,875,000
Subtotal	–	–	2,271,880	4,205,000	1,635,000	8,111,880
Net	6,363,067	45,190,692	107,317,071	714,960,771	(1,631,795)	872,199,806
Off-balance sheet guarantee	–	–	30,200,000	11,400,000	–	41,600,000

(e) Capital management

According to the Opinions on Supporting and Restricting the Rural Micro-Finance Companies in Jiangsu Province (Provisional) (Su Jin Rong Ban Fa [2013] No. 103), the liabilities of micro-finance rural companies should not exceed 100% of the net capital and the contingent liabilities should not exceed 250% of the net capital.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

(Amounts expressed in RMB unless otherwise stated)

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(e) Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing borrowings and lease liabilities, less cash and cash equivalents. Management regards total equity, which includes share capital, reserves and retained earnings, as capital. The gearing ratios as at the end of the reporting periods were as follows:

	31 December	
	2022	2021
Lease liabilities	**714,524**	2,555,624
Less: Cash and cash equivalents	**1,639,818**	5,608,151
Net debt	**(925,294)**	(3,052,527)
Share capital	**600,000,000**	600,000,000
Reserves	**113,204,683**	113,204,683
Retained earnings	**164,899,227**	174,521,164
Non-controlling interests	**2,086,934**	—
Capital	**880,190,844**	887,725,847
Capital and net debt	**879,265,550**	884,673,320
Gearing ratio	**N/A**	N/A

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets which carried at cost or amortised cost mainly include cash at banks and from a third party, and loans receivable. The Group's financial liabilities mainly include lease liabilities and other payables. Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

The fair value of unlisted equity investment designated at FVOCI was measured at the end of the reporting period on a recurring basis and classified as level 3 as defined in IFRS 13 *Fair Value Measurement*. The fair value of unlisted equity investment designated at FVOCI as at 31 December 2022 has been estimated using recent transaction price.

During the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

(Amounts expressed in RMB unless otherwise stated)

37. EVENTS AFTER THE REPORTING PERIOD

Except for the above, there were no significant events after the reporting period.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2022	As at 31 December 2021
ASSETS		
Cash and cash equivalents	**1,535,549**	4,161,027
Loans receivable	**876,813,748**	803,044,860
Investments in subsidiaries	**2,000,000**	2,000,000
Investment in an associate	**–**	79,916,885
Property and equipment	**2,097,035**	3,958,319
Deferred tax	**9,471,916**	6,772,583
Other assets	**1,280,788**	538,332
TOTAL ASSETS	**893,199,036**	900,392,006
LIABILITIES		
Deferred income	**–**	307,729
Income tax payable	**1,818,345**	1,841,549
Liabilities from guarantees	**106,934**	1,004,562
Lease liabilities	**656,250**	1,210,938
Other liabilities	**7,286,182**	7,658,808
TOTAL LIABILITIES	**9,867,711**	12,023,586
EQUITY		
Share capital	**600,000,000**	600,000,000
Reserves	**113,204,683**	113,204,683
Retained earnings	**170,126,642**	175,163,737
TOTAL EQUITY	**883,331,325**	888,368,420
TOTAL EQUITY AND LIABILITIES	**893,199,036**	900,392,006

(Amounts expressed in RMB unless otherwise stated)

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2021	54,417,191	48,964,588	9,302,558	112,684,337
Appropriation to surplus reserve	—	520,346	—	520,346
Balance as at 31 December 2021	**54,417,191**	**49,484,934**	**9,302,558**	**113,204,683**
Balance as at 31 December 2022	**54,417,191**	**49,484,934**	**9,302,558**	**113,204,683**

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Company's board of directors on 24 March 2023.

The Group has been committed to providing flexible, convenient and efficient microfinance services to individual industrial and commercial households (個體工商戶), and three rural enterprises (三農企業) in Yangzhou City, providing customers with efficient and fast short-term business financing needs.

BUSINESS REVIEW

During the year ended 31 December 2022, the Group continued to pursue business opportunities and strengthen its market position. For the year ended 31 December 2022, the Group recorded interest income of approximately RMB51.9 million, representing a decrease of approximately 14.3% as compared to approximately RMB60.5 million for the year ended 31 December 2021, which was mainly due to the decrease of the effective interest rate; and loss after tax of approximately RMB9.8 million, as compared with a profit after tax of approximately RMB4.6 million for the year ended 31 December 2021. The turnaround from profit after tax to loss after tax was primarily attributable to the ongoing impact of the novel coronavirus outbreak on the local economy in 2022, which resulted in the decrease of interest income, the increase in loan impairment losses on the Company's loan businesses, and the increase in expansion and promotion expenses of its subsidiaries businesses. As at 31 December 2022, the Group's balance of outstanding loans before allowance for impairment losses amounted to approximately RMB924.2 million, representing an increase of approximately 10.3% as compared to approximately RMB837.9 million as at 31 December 2021, which was mainly because the Company recovered investment balance of approximately RMB79.7 million through capital decrease in an associate as at the end of the year and put it into loan business, thus enlarging the loan scale as at the end of the Reporting Period. The total assets of the Group as at 31 December 2022 were approximately RMB897.8 million, representing a decrease of approximately 0.7% as compared to approximately RMB904.5 million as at 31 December 2021, and net assets were approximately RMB880.2 million as at 31 December 2022, representing a decrease of approximately 0.8%, as compared to approximately RMB887.7 million as at 31 December 2021.

The number of customers

Our customer base primarily comprises individual proprietors in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) (i.e. agriculture, farmers and rural areas or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas) of the People's Bank of China. Meanwhile, we have launched a digital financial product to promote our inclusive finance business. We grant unsecured loans to qualified customers, with the help of digital technology applied in risk management. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, can alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. For the year ended 31 December 2022 and 2021, we granted loans to 388 and 478 customers, respectively.

Loan portfolio by size

The following table sets forth our outstanding loans by size as at the dates indicated:

	As at 31 December 2022		As at 31 December 2021	
	RMB'000	**%**	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	**7,094**	**0.8**	43,285	5.2
– Collateralized loans	**73**	**0.0**	628	0.1
– Unsecured loans	**210**	**0.0**	1,622	0.2
	7,377	**0.8**	45,535	5.5
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	**38,181**	**4.1**	78,472	9.4
– Collateralized loans	**640**	**0.1**	1,000	0.1
	38,821	**4.2**	79,472	9.5
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	**187,746**	**20.3**	308,195	36.8
– Collateralized loans	**—**	**—**	3,056	0.4
	187,746	**20.3**	311,251	37.2
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	**690,224**	**74.7**	401,635	47.8
– Collateralized loans	**—**	**—**	—	—
	690,224	**74.7**	401,635	47.8
Total	**924,168**	**100.0**	837,893	100.0

Loan portfolio by security

We accept (i) loans backed by guarantees, (ii) loans secured by collaterals, (iii) loans backed and secured by both guarantees and collaterals, and (iv) unsecured loans. The following table sets forth the balance of our outstanding loans by security as at the dates indicated:

	As at 31 December 2022		As at 31 December 2021	
	RMB'000	**%**	RMB'000	%
Guaranteed loans	**923,245**	**99.9**	831,587	99.2
Collateralized loans	**713**	**0.1**	4,684	0.6
Unsecured loans	**210**	**0.0**	1,622	0.2
Total	**924,168**	**100.0**	837,893	100.0

The following table sets forth details of the number of loans granted for the periods indicated by security:

	As at 31 December 2022	As at 31 December 2021
Guaranteed loans	**416**	494
Collateralized loans	**—**	9
included: Guaranteed and collateralized loans	**—**	8
Unsecured loans	**9**	164
Total	**425**	667

Asset quality

With the aim of addressing credit risks that the Group is exposed to, we have put in place a standardized and centralized risk management system, and implemented the "separation of due diligence and approval (審貸分離)" policy.

We adopt a loan classification approach to manage our loan portfolio. We categorize our loans by reference to the "Five-Tier Principle" set forth in the Guideline for Loan Credit Risk Classification (貸款風險分類指引) issued by the China Banking and Insurance Regulatory Commission. According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The following table sets forth our outstanding loans by the "Five-Tier Principle" category as at the dates indicated:

PROVISIONING POLICIES AND ASSET QUALITY:

	As at 31 December 2022		As at 31 December 2021	
	RMB'000	**%**	RMB'000	%
Normal	**862,333**	**93.4**	792,502	94.5
Special-Mention	**32,722**	**3.5**	12,477	1.5
Substandard	**10,200**	**1.1**	28,413	3.4
Doubtful	**13,855**	**1.5**	2,251	0.3
Loss	**5,058**	**0.5**	2,250	0.3
Total	**924,168**	**100.0**	837,893	100.0

Certain borrowers of the Company defaulted in repayment of loans due to the adverse impact of the COVID-19 pandemic on local economy in 2022. For details, please refer to the paragraph headed "Overall of loans impairment losses recognized" in this section.

The following table sets forth our loan quality analysis as at the dates indicated:

	As at 31 December 2022	As at 31 December 2021
Impaired loan ratio (1)	**3.2%**	3.9%
Balance of impaired loans (RMB'000)	**29,113**	32,914
Total amount of loans receivable (RMB'000)	**924,168**	837,893
Allowance coverage ratio (2)	**162.7%**	105.9%
Allowance for impairment losses (RMB'000) (3)	**47,354**	34,848
Balance of impaired loans (RMB'000)	**29,113**	32,914
Provisions for impairment losses ratio (4)	**5.1%**	4.2%
Balance of overdue loans (RMB'000)	**61,835**	45,191
Total amount of loans receivable (RMB'000)	**924,168**	837,893
Overdue loan ratio (5)	**6.7%**	5.4%

Notes:

(1) Represents the balance of impaired loans divided by the total amount of loans receivable.

(2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover the probable loss in our loan portfolio.

(3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.

(4) Represents the allowance for impairment losses divided by the total amount of loans receivable. Provisions for impairment losses ratio measures the cumulative level of provisions.

(5) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

FINANCIAL REVIEW

Interest income

Our interest income decreased by approximately 14.3% from approximately RMB60.5 million for the year ended 31 December 2021 to approximately RMB51.9 million for the year ended 31 December 2022. The Group's interest income on loans receivable is mainly affected by two factors: the daily balance of loans receivable and the effective interest rates that the Group charges its customers. The Group's average daily balance of loans receivable increased from approximately RMB832.4 million for the year ended 31 December 2021 to approximately RMB836.2 million for the year ended 31 December 2022, mainly attributable to the fact that the Company recovered investment balance of approximately RMB79.7 million through capital decrease in an associate as at the end of the year and put it into loan business, thus leading to a slightly increase in the daily balance of loans receivable. However, due to the adverse impact of the COVID-19 pandemic on China's local economy and the corresponding policy requirements, national banks increased their supporting efforts to small and micro enterprises and the effective interest rate of loans granted by the industry decreased at the same time. In order to protect the interest of shareholders and maintain market share, we lowered the effective interest rate of loans charged to our customers. Meanwhile, the effective interest rate per annum decreased from 7.3% for the year ended 31 December 2021 to 6.2% for the year ended 31 December 2022.

Interest expense

Our interest expense was RMB200,093 and RMB108,023 for the years ended 31 December 2021 and 2022, respectively. Interest expense for the year ended 31 December 2022 was from recognized lease liabilities related to the lease contracts in respect of our office, and the interest expense in 2021 includes, in addition to the lease liabilities related with the lease contract, the instalment loan arrangement for the purchase of vehicles entered into at the end of 2018, which ended at the end of 2021.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB46.9 million and RMB51.6 million for the years ended 31 December 2021 and 2022, respectively. Such increase in accrual of provision for impairment losses was mainly due to the adverse local impact of COVID-19 pandemic in 2022, the default occurred in the downturn of real estate market, and the breakage of the capital chain of some borrowers due to their poor operations, which resulted in an increase in the Company's provision for non-performing loans and loan impairment losses.

Overall of loans impairment losses recognized

The Company recorded impairments losses on loans receivable of RMB51.46 million for the year ended 31 December 2022, the breakdown of the loan portfolio as at 31 December 2022 and impairments losses for the year ended 31 December 2022 are as follows:

Item	Gross loan amount (RMB million)	Allowance for impairment losses at the end of 2021 (RMB million)	Net charge of the impairment in 2022 (RMB million)	Net carrying amount of loans (RMB million)
Newly impaired loans incurred in 2022	**43.67**	**2.10**	**29.98**	**11.59**
Loans impaired before 2022 (Note [1])	**23.67**	**12.58**	**10.82**	**0.27**
Loans were not impaired (Note [2])	**895.06**	**19.45**	**10.66**	**864.95**
Total	**962.40**	**34.13**	**51.46**	**876.81**

Notes:

1. For loans impaired before 2022, the Company recognized impairment losses of RMB10.82 million in 2022 based on the latest status.

2. The Company collectively assessed the loans which were not impaired in 2021 and recorded impairment losses amounted to RMB10.66 million for such loans in during the year ended 31 December 2022.

As illustrated above, the impairment loss on loans receivable recognized for the year ended 31 December 2022 is primarily attributable to newly impaired loans incurred in 2022:

Overdue days	Number of borrowers	Number of loans	Gross loan amount	Net charge of the impairment for the year ended 31 December 2022	Interest rate range	Type of security
Overdue more than 3 months and less than 6 months	4	4	10.20	3.81	6%~9%	Guarantee
Overdue more than 6 months and less than 12 months	10	10	23.40	17.40	4.35%~9.6%	Guarantee
Overdue more than 12 months	4	4	10.00	8.72	6%~9%	Guarantee
All	5	16	0.07	0.05	14.94%~17.11%	Unsecured
Total	23	34	43.67	29.98		

When entering into the relevant loan and repayment agreements, the Company strictly implemented a related standardized process. The Company tracks loan status by monitoring loan repayments and routine post-loan inspection, and first became aware of the factors, events and circumstances leading to the impairments when the event of loan defaults occurred or post-loan inspection indicates any abnormality.

In summary, the main reason leading to the increase in loan impairment losses on the Company's loan business is due to the adverse impact of the COVID-19 pandemic on China's local economy in 2022, which resulted in default in payment by certain borrowers of the Company.

Based on the analysis of the financial position of the borrowers, the method and priority of the recourse, credit enhancements (e.g., collaterals and financial guarantees), etc., the management assessed the credit risk of the borrowers and the expected credit losses, and considered that the above assessment of the provision ratio is reasonable. The Company has taken into account the expected net realizable value of these collateral in measurement of expected credit loss.

The Board also concluded that the impairment charges on impaired loans were fair and reasonable after considering supportable information that is available without undue cost or effort as at 31 December 2022 mainly by reviewing:

- the method of determining the amount of the impairments;
- the results of the loan five categories;
- the ratios of loan quality including provisions for impairment losses ratio and allowance coverage ratio; and
- the analysis of changes in the local market environment and the main reasons for borrowers' defaults, as well as their ability to repay.

The detailed actions taken by the Company to ensure the recoverability of overdue loans are as follows:

In general, our customers are required to pay monthly interest on our loans and repay the principal amount of the loans upon maturity of the loan, and occasionally we may accept monthly instalments of part principal plus interest. To ensure timely payment, our account managers generally remind our customers of their payment obligations before the relevant due dates. We consider any loan with whole or part of principal and/or interest that was overdue for one day or more to be overdue.

When a loan principal is overdue; or any loan interest is not repaid by the relevant month-end, our account manager will pay an on-site visit to remind the customer of the overdue situation, and assess the conditions and reasons for such overdue, make a preliminary assessment on the risk level, mitigation measures and the possibility of recovery of the loan, and report to the head of customer service department, the head of risk management department and our general manager.

If the overdue situation is not rectified after the visit and overdue continues for more than 20 days, our account manager together with a representative of our legal department will conduct another on-site visit to remind the default customer of his/her payment obligation.

If the overdue situation remains unresolved and continues for more than 45 days, we may arrange an on-site meeting with the default customer to negotiate a repayment plan for the overdue amount. If the customer persists in failing to follow through with the repayment plan, our risk management department and legal department will initiate the following steps to seek collection:

- having recourse to the guarantor: if repayment of a loan is guaranteed by a guarantor, we will demand the guarantor to repay the principal of the loan and any interests accrued thereon; or
- foreclosure of the collateral: for a loan secured by collateral, we will initiate foreclosure proceeding by applying to court to attach and preserve the collateral. Upon obtaining a favorable judgment, we will file an enforcement application with the court to realize the value of the collateral through auction or sale, and subsequently apply all or part of such value toward repayment of the loan.

Administrative expenses

Our administrative expenses increased by approximately 11.8% from approximately RMB11.1 million for the year ended 31 December 2021 to approximately RMB12.4 million for the year ended 31 December 2022. Such increase was primarily due to the increase in the staff costs of the Group's subsidiaries.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately 771.0% from RMB0.3 million for the year ended 31 December 2021 to approximately RMB2.8 million for the year ended 31 December 2022. Such increase was mainly due to the increase in the staff costs of the Group's subsidiaries and the marketing expenses arising from business expansion.

Other income, net

We had net other income of RMB4.1 million and RMB3.3 million for the year ended 31 December 2021 and 2022 respectively. Such decrease was primarily due to the decrease in guarantee fee income as a result of the decrease in the scale of guarantee business.

Income tax expense

Income tax expense decreased by approximately 181.0% from approximately RMB1.8 million for the year ended 31 December 2021 to approximately RMB-1.5 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in the Company's profit before tax.

Profit/(loss) after tax and total comprehensive income

As a result of the foregoing and in particular the increase of loan impairment losses and the decrease of interest income, we recorded a loss after tax and total comprehensive income of approximately RMB9.8 million for the year ended 31 December 2022 as compared to a profit after tax and total comprehensive income of approximately RMB4.6 million for the year ended 31 December 2021.

Significant investments

The Group has no significant investments during the year ended 31 December 2022 and up to the date of this announcement.

Material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures

The Group has no material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2022 and up to the date of this announcement.

Future plans for material investments or capital assets and expected sources of funding

The Group has no specific future plans for material investments or capital assets during the year ended 31 December 2022 and up to the date of this announcement.

Foreign exchange risk

The Group operates principally in the People's Republic of China (the "**PRC**") with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in Hong Kong dollars ("**HKD**"). The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 31 December 2022, the Group did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB1.6 million (31 December 2021: approximately RMB5.6 million). The Group's gearing ratio, representing the ratio of total net debt divided by capital and net debt, was nil as at 31 December 2022 (31 December 2021: nil).

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

Treasury policy

The Company adopts a prudent financial management strategy in implementing the treasury policy and a sound liquidity position was maintained throughout the year. The Group assesses its customers' credit and financial positions on an ongoing basis so as to minimize the credit risks. In order to control the liquidity risks, the Company would closely monitor the liquidity position of the Group to ensure its assets, liabilities and its liquidity structure would satisfy the funding needs from time to time.

Indebtedness and charges on assets

The Group had no instalment loan during the year ended 31 December 2022. Meanwhile, the balance of lease liability was approximately RMB0.7 million as at 31 December 2022 (31 December 2021: approximately RMB2.6 million).

Contingent liabilities

Contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December	
	2022	2021
Financial guarantee contracts (RMB)	**3,500,000**	41,600,000

The Group provides financial guarantee services on an occasional basis.

Off-balance sheet arrangements

The Group did not have any off-balance sheet arrangements during the year ended 31 December 2022 and up to the date of this announcement.

DIVIDEND POLICY

The Board has adopted a dividend policy that, in recommending or declaring dividends, the Group shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company ("**Shareholder(s)**"), subject to the articles of the association of the Company (the "**Articles of Association**") and all applicable laws and regulations and the factors set out below.

The Company has adopted a dividend policy pursuant to which it may declare and pay annual dividends to Shareholders of not less than 30% of the profit available for distribution, subject to, in each case, the Board's decision after a comprehensive review of the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant, and there is no assurance that dividends may be declared or paid in any given amount for any given financial year.

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

FINAL DIVIDEND

After a comprehensive review of the Group's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, the Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

During the year ended 31 December 2022 and up to the date of this announcement, there is no arrangement under which any Shareholder has waived or agreed to waive any dividend.

DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2022 (2021: Nil).

MATERIAL LITIGATION AND ARBITRATION

As at 31 December 2022, the Group was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 23 full-time employees (31 December 2021: 20 full-time employees). The quality of our employees is the most important factor in maintaining a sustainable development and growth of the Group and to improve to profitability of the Group. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. The total employees remuneration of the Group for the year ended 31 December 2022 was approximately RMB5.5 million (for the year ended 31 December 2021: approximately RMB3.9 million).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Company has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. The Group has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

For further details of the Group's environmental performance and relationship with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report, which will be incorporated in the 2022 Annual Report, to be published by the Company in April 2023.

* For identification purpose only

Management Discussion and Analysis

CORPORATE DEVELOPMENT STRATEGIES AND OUTLOOK

The objective of the Company is to become a leading regional microfinance company focusing on fulfilling the interim business financing needs of micro-enterprises and individual proprietors.

Although the adverse impact of the COVID-19 pandemic and geopolitical tension still continually affect the global market and pose a lot of uncertainties, travel, trade, and tourism have been restoring as a result of the ease of travel restrictions and relaxation on the quarantine rules implemented by various countries. The economic situation is gradually recovered and we expect our customers will have a lower risk of default in repayment of loans. During the Reporting Period, the Group has implemented more stringent cost control measures in order to reduce the expenditure and to achieve cost effectiveness. We will stay cautious on the development of the coronavirus pandemic, continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to maintain the stability of its businesses, including but not limited to making provision for impairment losses on loans and writing off non-performing loans at appropriate and acceptable reasonable levels so as to line with the ever changing economic development. We will also keep proactive to seek business opportunities that will contribute and sustain the Group's future development and will also endeavor to ensure that the expenditures related to the new business of the Company's subsidiaries are matching with their business growth in order to maximize the protection of the Shareholders' interests.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 3.21 to 3.23 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The written terms of reference of the Audit Committee was adopted in compliance with code provisions D.3.3 and D.3.7 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and monitor the Group's financial reporting, risk management and internal control systems, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee.

The Company's results and the results announcement for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee and the Board are of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND COMPLIANCE OFFICER

The Company has complied with the code provisions set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Listing Rules during the Reporting Period and up to the date of this announcement.

The compliance officer of the Company is Ms. Bai Li.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the year ended 31 December 2022, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made all reasonable enquires of all the Directors and supervisors of the Company ("**Supervisor(s)**"), each of them has confirmed that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors and Supervisors adopted by the Company throughout the year. The Company will continue to ensure compliance with the code of conduct.

SHARE OPTION SCHEME

As at the date of this announcement, no share option scheme has been adopted by the Company.

Others

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public Shareholders.

AUDITOR

The financial statements of the Company for the year ended 31 December 2022 have been audited by Ernst & Young, who will retire and a resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the annual general meeting of the Company.

The Company did not change its auditors in the preceding 3 years.

EVENTS AFTER THE REPORTING PERIOD

After the financial year ended 31 December 2022 and up to the date of this announcement, there has been no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The 2022 annual general meeting (the "**AGM**") of the Company will be held at 10:00 a.m.. on Thursday, 8 June 2023 at 2/F, No. 1 Hongqi Avenue, Jiangwang Town, Hanjiang District, Yangzhou City, Jiangsu Province, the PRC. In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2023 or their proxies or duly authorized corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for holders of H shares), or the Company's principal place of business in the PRC at 2/F, No. 1 Hongqi Avenue, Jiangwang Town, Hanjiang District, Yangzhou City, Jiangsu Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Friday, 2 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gltaihe.com). The annual report for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be available on the same websites in due course.

By Order of the Board
Yangzhou Guangling District Taihe Rural Micro-finance Company Limited
Bo Wanlin
Chairman

Yangzhou, the PRC, 24 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Bo Wanlin, Ms. Bai Li and Ms. Zhou Yinqing; two non-executive Directors, namely Mr. Bo Nianbin and Mr. Zuo Yuchao and three independent non-executive Directors, namely Mr. Bao Zhenqiang, Mr. Wu Xiankun and Mr. Chan So Kuen.