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## CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### HIGHLIGHTS

	For the year ended or as at 31 December		
	2022	2021	Change
	RMB'000	RMB'000	%
<b>Operating Results</b>			
Operating income	624,474	367,825	70%
Operating cost	391,681	120,651	225%
Profit attributable to owners of the Company	41,057	87,169	-53%
Basic earnings per share (RMB Yuan)	0.038	0.080	-53%
	<b>As at 31 December</b>		
	2022	2021	Change
	RMB'000	RMB'000	%
<b>Financial Position</b>			
Total assets	2,985,146	2,836,195	5%
Total liabilities	873,816	742,461	18%
Loans to customers	2,107,055	1,815,077	16%
Net assets	2,111,330	2,093,734	1%

The board (the “**Board**”) of directors (the “**Directors**”) of China Huirong Financial Holdings Limited (the “**Company**” or “**China Huirong**”) hereby announces the audited annual results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Year**”) as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

*(All amounts in RMB thousands unless otherwise stated)*

		Year ended 31 December	
	Note	2022	2021
Interest income	5	258,848	269,276
Sales of goods	6	362,766	93,108
Consultancy fee income	7	1,377	601
Commission fee income	8	<u>1,483</u>	<u>4,840</u>
<b>Operating income</b>		<b>624,474</b>	<b>367,825</b>
Interest expense	9	(31,877)	(25,577)
Costs of sales	6	(359,804)	(92,362)
Commission fee expense	8	<u>—</u>	<u>(2,712)</u>
<b>Operating cost</b>		<b>(391,681)</b>	<b>(120,651)</b>
Net investment (losses)/gains	10	(7,255)	117,310
Credit impairment losses	11	(74,712)	(153,849)
Net gains on derecognition of financial assets measured at amortized cost	12	3,787	534
Other operating income	13	<u>1,791</u>	<u>1,042</u>
<b>Net operating income</b>		<b>156,404</b>	<b>212,211</b>
General and administrative expenses		(73,818)	(62,906)
Other gains/(losses), net	14	<u>3,166</u>	<u>(2,792)</u>
<b>Operating profit</b>		<b>85,752</b>	<b>146,513</b>
Share of net profit of associates accounted for using the equity method	20	<u>1,716</u>	<u>—</u>
<b>Profit before income tax</b>		<b>87,468</b>	<b>146,513</b>
Income tax expense	15	<u>(27,120)</u>	<u>(45,799)</u>
<b>Profit for the year</b>		<b><u>60,348</u></b>	<b><u>100,714</u></b>

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2022</b>	2021
Profit for the year is attributable to:			
— Owners of the Company		<b>41,057</b>	87,169
— Non-controlling interests		<u><b>19,291</b></u>	<u>13,545</u>
<b>Earnings per share for profit attributable to the owners of the Company (expressed in RMB Yuan)</b>			
— Basic earnings per share	<i>16</i>	<b>0.038</b>	0.080
— Diluted earnings per share	<i>16</i>	<u><b>0.038</b></u>	<u>0.080</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><b>60,348</b></u>	<u>100,714</u>
Total comprehensive income for the year is attributable to:			
— Owners of the Company		<b>41,057</b>	87,169
— Non-controlling interests		<u><b>19,291</b></u>	<u>13,545</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	54,682	53,274
Right-of-use assets	19	17,690	20,903
Investments accounted for using the equity method	20	26,005	17,475
Investment properties	21	192,969	203,698
Intangible assets		1,127	2,238
Loans to customers	23	258,969	202,993
Deferred income tax assets	22(a)	<u>85,555</u>	<u>89,882</u>
<b>Total non-current assets</b>		<u>636,997</u>	<u>590,463</u>
<b>Current assets</b>			
Inventories		2,163	17,707
Other current assets		66,127	39,545
Commission fee receivables		3	6
Loans to customers	23	1,848,086	1,612,084
Financial assets at fair value through profit or loss	24	122,631	93,043
Cash at bank and cash on hand	25	<u>309,139</u>	<u>483,347</u>
<b>Total current assets</b>		<u>2,348,149</u>	<u>2,245,732</u>
<b>Total assets</b>		<u><u>2,985,146</u></u>	<u><u>2,836,195</u></u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2022</b>	2021
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	26	<b>8,662</b>	8,662
Share premium	27	<b>604,478</b>	604,478
Other reserves	27	<b>593,122</b>	593,122
Retained earnings	28	<b><u>666,325</u></b>	<u>662,597</u>
		<b>1,872,587</b>	1,868,859
<b>Non-controlling interests</b>		<b><u>238,743</u></b>	<u>224,875</u>
<b>Total equity</b>		<b><u><u>2,111,330</u></u></b>	<u><u>2,093,734</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	19	<b>2,597</b>	4,540
Borrowings	30	<b>197,000</b>	89,380
Deferred income tax liabilities	22(b)	<b><u>18,508</u></b>	<u>22,427</u>
<b>Total non-current liabilities</b>		<b><u>218,105</u></b>	<u>116,347</u>
<b>Current liabilities</b>			
Other current liabilities	29	<b>90,835</b>	83,357
Current income tax liabilities		<b>28,127</b>	30,253
Amounts due to related parties		<b>633</b>	633
Dividends payable		<b>1,261</b>	2,678
Lease liabilities	19	<b>2,627</b>	2,913
Borrowings	30	<b><u>532,228</u></b>	<u>506,280</u>
<b>Total current liabilities</b>		<b><u>655,711</u></b>	<u>626,114</u>
<b>Total liabilities</b>		<b><u><u>873,816</u></u></b>	<u><u>742,461</u></u>
<b>Total equity and liabilities</b>		<b><u><u>2,985,146</u></u></b>	<u><u>2,836,195</u></u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

	Note	Attributable to the owners of the Company				Total	Non-controlling Interests	Total equity
		Share Capital	Share premium	Other reserves	Retained earnings			
<b>Balance at 31 December 2020</b>		8,641	602,728	593,774	575,428	1,780,571	161,327	1,941,898
Profit for the year		—	—	—	87,169	87,169	13,545	100,714
<b>Total comprehensive income for the year</b>		<u>—</u>	<u>—</u>	<u>—</u>	<u>87,169</u>	<u>87,169</u>	<u>13,545</u>	<u>100,714</u>
<b>Transactions with owners in their capacity as owners</b>								
Issue of ordinary shares under employee share scheme	27(a)	21	1,750	(451)	—	1,320	—	1,320
Non-controlling interests on acquisition of subsidiary		—	—	—	—	—	26,250	26,250
Capital movement of non-controlling interests		—	—	(201)	—	(201)	35,201	35,000
Dividends declared or paid		—	—	—	—	—	(11,448)	(11,448)
<b>Total transactions with owners in their capacity as owners</b>		<u>21</u>	<u>1,750</u>	<u>(652)</u>	<u>—</u>	<u>1,119</u>	<u>50,003</u>	<u>51,122</u>
<b>Balance at 31 December 2021</b>		<u>8,662</u>	<u>604,478</u>	<u>593,122</u>	<u>662,597</u>	<u>1,868,859</u>	<u>224,875</u>	<u>2,093,734</u>

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(All amounts in RMB thousands unless otherwise stated)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

*(All amounts in RMB thousands unless otherwise stated)*

## 1 GENERAL INFORMATION

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

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

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

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

#### (b) *Historical cost convention*

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

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

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

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

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

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group continually evaluates its critical accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below. It is possible that actual results may be materially different from the estimates and judgments referred to below.

#### **3.1 Critical accounting estimates**

**(a) *Measurement of expected credit losses (“ECL”) allowances***

The measurement of the ECL allowances for financial assets measured at amortized cost is an area that requires the use of ECL models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL allowances, such as:

- determination of relevant key models and parameters;
- criteria for determining whether or not there was a significant increase in credit risk (“SICR”) and definition of default or credit impairment;
- estimated future cash flows for loans to customers that the discounted cash flow model is used to calculate ECL allowances;
- economic variables for forward-looking measurement, and the application of economic scenarios and relative weightings.

**(b) *Fair value of investment properties***

The fair value of investment properties are determined by using valuation techniques. Observable inputs are used at arm’s length. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of investment properties.

**(c) *Income taxes***

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes in various jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### **3.2 Critical accounting judgements**

***Contractual Agreements***

Under the relevant rules and regulations prevailing in the PRC, wholly foreign-owned enterprises are not allowed to operate pawn-loan business in China. The current registered owners of Wuzhong Pawnshop are Wuzhong Jiaye and Hengyue Consulting. The Group’s wholly owned subsidiary Huifang Tongda entered into a series of Contractual Agreements with Wuzhong Pawnshop, Wuzhong Jiaye, Hengyue Consulting and the owners of Wuzhong Jiaye and Hengyue Consulting. Such Contractual Agreements include: (i) a proxy agreement where Wuzhong Jiaye and Hengyue Consulting have irrevocably and unconditionally undertaken to authorize Huifang Tongda to exercise their shareholders’ rights under the articles of association of the Wuzhong Pawnshop and applicable PRC laws and regulations; (ii) an exclusive management and consultation service agreement pursuant to which Wuzhong Pawnshop engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services, and in return Wuzhong Pawnshop agreed to pay Huifang Tongda the consultancy service fee; (iii) exclusive call option agreement pursuant to which Wuzhong Jiaye and Hengyue Consulting irrevocably and unconditionally granted Huifang Tongda an option to acquire the entire equity interest held by Wuzhong Jiaye and Hengyue Consulting in

the Wuzhong Pawnshop and/or all assets of the Wuzhong Pawnshop at a price equivalent to the minimum amount as may be permitted by applicable PRC laws and regulations; and (iv) equity pledge agreement pursuant to which the Ultimate Shareholders granted first priority security interests over their respective equity interests in Wuzhong Jiaye and Hengyue Consulting to Huifang Tongda for guaranteeing the performance of the above the proxy agreement, exclusive management and consultation service agreement, and the exclusive call option agreement. Pursuant to these agreements and undertakings, notwithstanding the fact that the Company does not hold direct equity interest in Wuzhong Pawnshop, management considers that the Company has power over the financial and operating policies of Wuzhong Pawnshop and receive a majority of the economic benefits from its business activities. Accordingly, Wuzhong Pawnshop has been treated as an indirect subsidiary of the Company.

#### **4 SEGMENT INFORMATION**

The Company's Board of Directors is the Group's chief operating decision-maker, which assesses the financial performance and position of the Group and makes strategic decisions.

The Group manages its business under two operating and reportable segments for the year ended 31 December 2022 (2021: same).

##### **(a) Business segments**

From business perspective, the Group provides services through two main business segments listed below:

**Inclusive finance business division:** The inclusive finance business division mainly refers to provision of lending services in the PRC. From a product perspective, the inclusive finance business division principally engaged in lending services through granting secured loans and unsecured loans to customers.

**Ecology finance business division:** The division mainly dedicates services to supply chain loan facilitation technology, factoring, insurance agency and equity investment business.

##### **(b) Segment analysis**

The profit or loss before income tax for each reportable segment including incomes and expenses from external transactions and from transactions with other segments, and other items in the consolidated statement of comprehensive income are allocated based on the operations of the segment.

Segment assets and segment liabilities are measured in the same way as in the consolidated statement of financial position. These assets and liabilities are allocated based on the operations of the segment.

<b>For the year ended 31 December 2022</b>					
	<b>Inclusive finance business division</b>	<b>Ecology finance business division</b>	<b>Headquarters and others</b>	<b>Elimination</b>	<b>Total</b>
External operating income	214,715	396,436	13,323	—	624,474
Internal operating income	532	2,072	13,236	(15,840)	—
External operating cost	(7,989)	(366,283)	(17,409)	—	(391,681)
Internal operating cost	(6,796)	(7,484)	(434)	14,714	—
Net investment gains/(losses)	—	2,763	(10,018)	—	(7,255)
Credit impairment losses	(63,133)	(2,080)	(9,499)	—	(74,712)
Net gains on derecognition of financial assets measured at amortized cost	3,787	—	—	—	3,787
Other operating (expenses)/income	(1,442)	640	6,013	(3,420)	1,791
General and administrative expenses	(29,605)	(5,976)	(42,783)	4,546	(73,818)
Share of net profit of associates accounted for using the equity method	—	1,716	—	—	1,716
Other (losses)/gains, net	(8)	(25)	3,199	—	3,166
<b>Profits/(Losses) before income tax</b>	<b><u>110,061</u></b>	<b><u>21,779</u></b>	<b><u>(44,372)</u></b>	<b><u>—</u></b>	<b><u>87,468</u></b>
<b>Capital expenditure</b>	<b><u>(1,633)</u></b>	<b><u>(370)</u></b>	<b><u>(11,142)</u></b>	<b><u>—</u></b>	<b><u>(13,145)</u></b>
<b>As at 31 December 2022</b>					
	<b>Inclusive finance business division</b>	<b>Ecology finance business division</b>	<b>Headquarters and others</b>	<b>Elimination</b>	<b>Total</b>
<b>Segment assets</b>	<b>1,525,168</b>	<b>680,881</b>	<b>783,263</b>	<b>(4,166)</b>	<b>2,985,146</b>
<b>Segment liabilities</b>	<b><u>(197,245)</u></b>	<b><u>(200,191)</u></b>	<b><u>(480,906)</u></b>	<b><u>4,526</u></b>	<b><u>(873,816)</u></b>

For the year ended 31 December 2021

	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
External operating income	236,351	114,287	17,187	—	367,825
Internal operating income	446	165	1,821	(2,432)	—
External operating cost	(7,919)	(97,571)	(15,161)	—	(120,651)
Internal operating cost	(1,158)	(967)	(446)	2,571	—
Net investment gains	—	—	117,310	—	117,310
Credit impairment losses	(156,431)	(290)	2,872	—	(153,849)
Net losses on derecognition of financial assets measured at amortized cost	534	—	—	—	534
Other operating income	179	846	988	(971)	1,042
General and administrative expenses	(21,832)	(4,587)	(36,487)	—	(62,906)
Other (losses)/gains, net	409	—	(3,201)	—	(2,792)
<b>Profits before income tax</b>	<u>50,579</u>	<u>11,883</u>	<u>84,883</u>	<u>(832)</u>	<u>146,513</u>
<b>Capital expenditure</b>	<u>(1,163)</u>	<u>(18)</u>	<u>(78,085)</u>	<u>—</u>	<u>(79,266)</u>

As at 31 December 2021

	Inclusive finance business division	Ecology finance business division	Headquarters and others	Elimination	Total
<b>Segment assets</b>	1,077,031	288,450	1,506,622	(35,908)	2,836,195
<b>Segment liabilities</b>	<u>(168,332)</u>	<u>(100,786)</u>	<u>(510,269)</u>	<u>36,926</u>	<u>(742,461)</u>

## 5 INTEREST INCOME

	Year ended 31 December	
	2022	2021
Interest income from loans to customers		
— Secured loans	159,305	158,493
— Unsecured loans	95,003	104,066
Interest income from bank deposits	<u>4,540</u>	<u>6,717</u>
	<u><b>258,848</b></u>	<u><b>269,276</b></u>

## 6 SALES OF GOODS AND COSTS OF SALES

	Year ended 31 December	
	2022	2021
Sales of goods		
— <i>As principal</i>	362,766	92,964
— <i>As agent</i>	<u>—</u>	<u>144</u>
	<u><b>362,766</b></u>	<u><b>93,108</b></u>
Costs of sales		
— <i>As principal</i>	<u>(359,804)</u>	<u>(92,362)</u>
	<u><b>(359,804)</b></u>	<u><b>(92,362)</b></u>

The goods sold mainly contain electronic products and daily groceries.

## 7 CONSULTANCY FEE INCOME

	Year ended 31 December	
	2022	2021
Loan consultancy fee income	<u><b>1,377</b></u>	<u><b>601</b></u>

## 8 COMMISSION FEE INCOME AND EXPENSE

	Year ended 31 December	
	2022	2021
<b>Commission fee income</b>		
Insurance agency commission fee income	899	1,973
Commission fee income from guarantee business	<u>584</u>	<u>2,867</u>
	<u><b>1,483</b></u>	<u><b>4,840</b></u>
<b>Commission fee expense</b>		
Insurance agency commission fee expense	<u>—</u>	<u>2,712</u>
	<u><b>—</b></u>	<u><b>2,712</b></u>

## 9 INTEREST EXPENSE

	Year ended 31 December	
	2022	2021
Interest expense on bank borrowings	28,765	24,088
Interest expense on borrowings from non-bank financial institutions	2,125	650
Other interest expenses	<u>987</u>	<u>839</u>
	<u><b>31,877</b></u>	<u><b>25,577</b></u>

## 10 NET INVESTMENT (LOSSES)/GAINS

	Year ended 31 December	
	2022	2021
Fair value gains — financial assets at fair value through profit or loss	2,881	5,318
Cash dividend of listed equity securities	330	1,581
Net gains/(losses) from disposal of financial assets at fair value	263	(11)
Fair value (losses)/gains — investment properties	<u>(10,729)</u>	<u>110,422</u>
	<u><b>(7,255)</b></u>	<u><b>117,310</b></u>

## 11 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Credit impairment losses on loans to customers	76,395	154,244
Credit impairment losses on other current assets	190	(656)
Credit impairment losses on financial guarantees	<u>(1,873)</u>	<u>261</u>
	<u><u>74,712</u></u>	<u><u>153,849</u></u>

## 12 NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

For the year ended 31 December 2022, the Group disposed loans to customers with carrying amount of RMB62.8 (2021: RMB11.3 million) million to third parties for considerations of RMB66.6 million (2021: RMB11.8 million). The difference between the consideration and the carrying amount is recognized as net gains on derecognition of financial assets measured at amortized cost.

## 13 OTHER OPERATING INCOME

	Year ended 31 December	
	2022	2021
Rental income	3,165	492
Net (losses)/gains from disposal of repossessed assets	(1,546)	71
Others	<u>172</u>	<u>479</u>
	<u><u>1,791</u></u>	<u><u>1,042</u></u>

## 14 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2022	2021
Net foreign currency gains/(losses)	3,125	(3,303)
Government grants	<u>41</u>	<u>511</u>
	<u><u>3,166</u></u>	<u><u>(2,792)</u></u>

## 15 INCOME TAX EXPENSE

### (a) Income tax expense

	Year ended 31 December	
	2022	2021
Current income tax	26,712	25,510
Deferred income tax	<u>408</u>	<u>20,289</u>
	<u><u>27,120</u></u>	<u><u>45,799</u></u>

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	<u>87,468</u>	<u>146,513</u>
Tax calculated at domestic tax rates applicable to profits in the respective areas	22,699	37,128
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
— Entertainment expenses	280	472
— Cash dividends of listed equity securities	(83)	(395)
— Sundry items	<u>(791)</u>	<u>604</u>
Subtotal	22,105	37,809
Reversal of previously recognized deferred tax assets	—	557
Unused tax losses for which no deferred tax asset has been recognized	1,364	1,704
Previously unrecognized tax losses now recouped to reduce current tax expense	(354)	(562)
Adjustments for current tax of prior years	105	(349)
PRC withholding tax	<u>3,900</u>	<u>6,640</u>
Income tax expense	<u><u>27,120</u></u>	<u><u>45,799</u></u>

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong.

According to the Corporate Income Tax Law of the PRC, the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

For small and micro enterprises with annual taxable income less than RMB1 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 12.5% of the taxable income amount, and for those with annual taxable income more than RMB1 million but less than RMB3 million, the income tax provision is calculated at the applicable corporate tax rate of 20% on 25% of the taxable income amount.

Pursuant to the CIT Law, a 5% withholding tax is levied on the dividends declared to the investors certified as Hong Kong resident enterprises from companies established in Mainland China and a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China (2021: a 10% withholding tax is levied on the dividends declared to overseas investors from companies established in Mainland China).

**(b) Tax losses**

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
Unused tax losses for which no deferred tax asset has been recognized at 25%	<b>488</b>	2,884
Unused tax losses for which no deferred tax asset has been recognized at 16.5%	<u><b>7,527</b></u>	<u>5,960</u>
Unused tax losses for which no deferred tax asset has been recognized	<u><b>8,015</b></u>	<u>8,844</u>
Potential tax benefit at 25%	<b>122</b>	721
Potential tax benefit at 16.5%	<u><b>1,242</b></u>	<u>983</u>
Potential tax benefit	<u><b>1,364</b></u>	<u>1,704</u>

## 16 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	41,057	87,169
Weighted average number of ordinary shares in issue (in thousands)	<u>1,090,335</u>	<u>1,089,233</u>
Basic earnings per share (RMB Yuan)	<u><u>0.038</u></u>	<u><u>0.080</u></u>

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has no category of dilutive potential ordinary shares for the year ended 31 December 2022.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	41,057	87,169
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (i)	<u>1,090,335</u>	<u>1,089,233</u>
Dilutive earnings per share (RMB)	<u><u>0.038</u></u>	<u><u>0.080</u></u>

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

	Year ended 31 December	
	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	1,090,335	1,089,233
Adjustments for calculation of diluted earnings per share:		
Options (in thousands)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands) (Note 26)	<u><u>1,090,335</u></u>	<u><u>1,089,233</u></u>

## 17 DIVIDENDS

A dividend in respect of the year ended 31 December 2022 of HK\$0.03 per share, amounting to a total dividend of HK\$32.7 million (equivalent to approximately RMB29.2 million), is to be proposed at the 2022 annual general meeting. These financial statements do not reflect this dividend payable. A dividend of HK\$0.04 per ordinary share in respect of the year ended 31 December 2021 was declared at the annual general meeting (“AGM”) of the Company held on 26 May 2022. It was determined that such dividend would be paid out of the retained earnings account. Based on the total number of ordinary shares of 1,090,335 thousand outstanding on 31 December 2021, a total dividend of HK\$43.6 million (equivalent to RMB37.3 million) was paid out by the Company on 15 June 2022 (2021: No dividends were declared or paid).

	Year ended 31 December	
	2022	2021
Proposed dividend	<u>29,220</u>	<u>38,013</u>

## 18 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Vehicles	Electronics and other equipment	Total
<b>Cost</b>				
At 1 January 2022	51,484	367	5,272	57,123
Additions	—	—	3,346	3,346
Disposals	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2022	<u>51,484</u>	<u>367</u>	<u>8,618</u>	<u>60,469</u>
<b>Accumulated depreciation</b>				
At 1 January 2022	—	(22)	(3,827)	(3,849)
Additions	(901)	(87)	(950)	(1,938)
Disposals	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2022	<u>(901)</u>	<u>(109)</u>	<u>(4,777)</u>	<u>(5,787)</u>
<b>Carrying amount</b>				
At 31 December 2022	<u>50,583</u>	<u>258</u>	<u>3,841</u>	<u>54,682</u>
At 31 December 2021	<u>51,484</u>	<u>345</u>	<u>1,445</u>	<u>53,274</u>

## 19 LEASES

### (a) Amounts recognized in the balance sheet

	As at 31 December 2022	As at 31 December 2021
<b>Right-of-use assets</b>		
Land-use rights (a)	12,259	12,602
Property	<u>5,431</u>	<u>8,301</u>
	<u><b>17,690</b></u>	<u><b>20,903</b></u>
<b>Lease liabilities</b>		
Current	2,627	2,913
Non-current	<u>2,597</u>	<u>4,540</u>
	<u><b>5,224</b></u>	<u><b>7,453</b></u>

- (a) As at 31 December 2022, land-use rights are pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) (Note 30).

The movement of right-of-use assets as follow.

	Land-use rights	Property	Total
<b>Cost</b>			
At 1 January 2022	15,246	21,050	36,296
Additions	—	2,268	2,268
Less	<u>—</u>	<u>(2,651)</u>	<u>(2,651)</u>
At 31 December 2022	<u>15,246</u>	<u>20,667</u>	<u>35,913</u>
<b>Accumulated depreciation</b>			
At 1 January 2022	(2,644)	(12,749)	(15,393)
Additions	(343)	(3,083)	(3,426)
Less	<u>—</u>	<u>596</u>	<u>596</u>
At 31 December 2022	<u>(2,987)</u>	<u>(15,236)</u>	<u>(18,223)</u>
<b>Net book amount</b>			
At 31 December 2022	<u><u>12,259</u></u>	<u><u>5,431</u></u>	<u><u>17,690</u></u>
At 1 January 2022	<u><u>12,602</u></u>	<u><u>8,301</u></u>	<u><u>20,903</u></u>

For short-term lease and low-value asset lease, the Group chooses not to recognize the right-of-use assets and lease liabilities.

## 20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2022	2021
<b>At 1 January</b>	<b>17,475</b>	<b>1,500</b>
Additions	<b>14,210</b>	15,975
Deductions	<b>(5,680)</b>	—
Profit or loss for the period	<b>1,716</b>	—
Dividends paid	<b>(1,716)</b>	—
	<hr/>	<hr/>
<b>At 31 December</b>	<b><u>26,005</u></b>	<b><u>17,475</u></b>

## 21 INVESTMENT PROPERTIES

	Year ended 31 December 2022		
	Zhonghui Financial Building (a)	Other	Total
<b>At fair value</b>			
<b>At 1 January</b>	<b>202,018</b>	<b>1,680</b>	<b>203,698</b>
Net losses from fair value adjustment	<b>(10,729)</b>	—	<b>(10,729)</b>
	<hr/>	<hr/>	<hr/>
<b>At 31 December</b>	<b><u>191,289</u></b>	<b><u>1,680</u></b>	<b><u>192,969</u></b>

  

	Year ended 31 December 2021		
	Zhonghui Financial Building	Other	Total
<b>At fair value</b>			
<b>At 1 January</b>	—	1,621	1,621
Transfer from properties under development	91,596	—	91,596
Capitalized subsequent expenditure	—	59	59
Net gains from fair value adjustment	<b>110,422</b>	—	<b>110,422</b>
	<hr/>	<hr/>	<hr/>
<b>At 31 December</b>	<b><u>202,018</u></b>	<b><u>1,680</u></b>	<b><u>203,698</u></b>

- (a) As at 31 December 2022, the investment property is pledged with banks to secure non-current bank borrowings with principal amount of RMB197.0 million (31 December 2021: RMB89.4 million) (Note 30).

## 22 DEFERRED INCOME TAX

### (a) Deferred tax assets

	As at 31 December	
	2022	2021
<b>The balance comprises temporary differences attributable to:</b>		
ECL allowances charge on financial assets	85,525	87,048
Net losses from financial instruments at fair value through profit or loss	981	2,944
Recoverable tax losses	<u>6,151</u>	<u>5,068</u>
Total deferred tax assets	<u>92,657</u>	<u>95,060</u>
Offsetting of deferred tax liabilities pursuant to off-setting provisions	<u>(7,102)</u>	<u>(5,178)</u>
Net deferred tax assets	<u><u>85,555</u></u>	<u><u>89,882</u></u>

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	ECL allowances charge on financial assets	Net losses from financial instruments at fair value through profit or loss	Recoverable tax losses	Share- based payments	Total
<b>Deferred income tax assets</b>					
<b>At 1 January 2021</b>	79,746	5,616	1,382	1,000	87,744
Credited/(charged) to the consolidated statement of comprehensive income	<u>7,302</u>	<u>(2,672)</u>	<u>3,686</u>	<u>(1,000)</u>	<u>7,316</u>
<b>At 31 December 2021</b>	<u>87,048</u>	<u>2,944</u>	<u>5,068</u>	<u>—</u>	<u>95,060</u>
<b>At 1 January 2022</b>	87,048	2,944	5,068	—	95,060
(Charged)/credited to the consolidated statement of comprehensive income	<u>(1,523)</u>	<u>(1,963)</u>	<u>1,083</u>	<u>—</u>	<u>(2,403)</u>
<b>At 31 December 2022</b>	<u>85,525</u>	<u>981</u>	<u>6,151</u>	<u>—</u>	<u>92,657</u>

As at 31 December 2022, it is estimated that deferred income tax assets will be reversed over one year (31 December 2021: same).

(b) **Deferred tax liabilities**

	<b>As at 31 December</b>	
	<b>2022</b>	2021
<b>The balance comprises temporary differences attributable to:</b>		
Net gains from investment property	24,925	27,605
Net gains from financial instruments at fair value through profit or loss	<u>685</u>	<u>—</u>
Total deferred tax liabilities	<u>25,610</u>	<u>27,605</u>
Offsetting of deferred tax assets pursuant to off-setting provisions	<u>(7,102)</u>	<u>(5,178)</u>
Net deferred tax liabilities	<u>18,508</u>	<u>22,427</u>

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	<b>Net gains from investment property</b>	<b>Net gains from financial instruments at fair value through profit or loss</b>	<b>Total</b>
<b>Deferred income tax liabilities</b>			
<b>At 1 January 2021</b>	—	—	—
Charged to the consolidated statement of comprehensive income	<u>27,605</u>	<u>—</u>	<u>27,605</u>
<b>At 31 December 2021</b>	<u>27,605</u>	<u>—</u>	<u>27,605</u>
<b>At 1 January 2022</b>	27,605	—	27,605
Charged to the consolidated statement of comprehensive income	<u>(2,680)</u>	<u>685</u>	<u>(1,995)</u>
<b>At 31 December 2022</b>	<u>24,925</u>	<u>685</u>	<u>25,610</u>

As at 31 December 2022, it is estimated that deferred income tax liabilities will be reversed over one year (31 December 2021: same).

## 23 LOANS TO CUSTOMERS

### Non-current

	As at 31 December	
	2022	2021
Loans to customers, gross		
Unsecured loans	264,828	207,542
— <i>Guaranteed loans</i>	262,538	207,542
— <i>Other unsecured loans</i>	2,290	—
Less: ECL allowances	(5,859)	(4,549)
Loans to customers, net	<u>258,969</u>	<u>202,993</u>

### Current

	As at 31 December	
	2022	2021
Loans to customers, gross		
Secured loans	1,617,499	1,398,366
— <i>Real estate backed loans</i>	1,409,990	1,253,726
— <i>Movable property backed loans</i>	207,509	144,640
Unsecured loans	940,587	853,650
— <i>Equity interest backed loans</i>	461,471	465,319
— <i>Guaranteed loans</i>	233,014	227,288
— <i>Other unsecured loans</i>	246,102	161,043
	<u>2,558,086</u>	<u>2,252,016</u>
Less: ECL allowances		
Secured loans	(491,743)	(389,812)
Unsecured loans	(218,257)	(250,120)
	<u>(710,000)</u>	<u>(639,932)</u>
Loans to customers, net	<u>1,848,086</u>	<u>1,612,084</u>

Loans to customers arise from the Group's lending services. The current loan periods granted to customers are within one year. The terms of non-current loans granted to customers are between two to five years.

The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.0% to 24.0% per annum in the year ended 31 December 2022 (2021: same). Guaranteed loans granted to customers bear fixed interest rates from 5.5% to 18.0% per annum in the year ended 31 December 2022 (2021: from 5.5% to 25.2%). Other unsecured loans granted to customers bear fixed interest rates from 3.8% to 17.0% per annum in the year ended 31 December 2022 (2021: same).

As at 31 December 2022, renewed loans amounted to RMB254.8 million (2021: RMB245.8 million), which include real estate backed loans, equity interest backed loans, movable property backed loans and guaranteed loans (31 December 2021: same).

**(a) Aging analysis of loans to customers**

The aging of the loans to customers is calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of ECL allowances are set out below:

**Non-current**

	As at 31 December			2021
	2022			
	Secured loans	Unsecured loans	Total	Total
Within 3 months	—	12,073	12,073	53,787
3–6 months	—	46,877	46,877	54,099
6–12 months	—	25,448	25,448	24,572
12–24 months	—	130,544	130,544	70,535
Over 24 months	—	44,027	44,027	—
	<u>—</u>	<u>258,969</u>	<u>258,969</u>	<u>202,993</u>

**Current**

	As at 31 December			2021
	2022			
	Secured loans	Unsecured loans	Total	Total
Within 3 months	216,776	227,680	444,456	491,513
3–6 months	301,545	139,388	440,933	238,969
6–12 months	186,882	289,426	476,308	280,780
12–24 months	63,113	6,771	69,884	79,231
Over 24 months	7,012	35,195	42,207	758
Past due (i)	350,428	23,870	374,298	520,833
	<u>1,125,756</u>	<u>722,330</u>	<u>1,848,086</u>	<u>1,612,084</u>

(i) *Past due loans to customers net of ECL allowances*

**Current**

	As at 31 December			2021 Total
	Secured loans	Unsecured loans	Total	
Past due within three months	24,636	16,237	40,873	59,200
Past due between three months and one year	28,805	6,356	35,161	23,054
Past due between one year and three years	13,630	—	13,630	40,532
Past due over three years	<u>283,357</u>	<u>1,277</u>	<u>284,634</u>	<u>398,047</u>
	<u>350,428</u>	<u>23,870</u>	<u>374,298</u>	<u>520,833</u>

(b) **Movements on ECL allowances for loans to customers**

The following tables explain the changes in loss allowances during the reporting period due to these factors:

**Non-current**

**Unsecured loans**

	Year ended 31 December 2022			Total
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	
<b>Loss allowances as at 31 December 2021</b>	<b>4,549</b>	—	—	<b>4,549</b>
New loans to customers originated	1,417	—	—	1,417
Changes in PDs/LGDs/EADs	199	—	—	199
Loans to customers derecognized during the year other than write-offs	<u>(306)</u>	<u>—</u>	<u>—</u>	<u>(306)</u>
<b>Loss allowances as at 31 December 2022</b>	<u><b>5,859</b></u>	<u>—</u>	<u>—</u>	<u><b>5,859</b></u>

**Current  
Secured loans**

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Loss allowances as at 31 December 2021</b>	<b>7,516</b>	<b>10,876</b>	<b>371,420</b>	<b>389,812</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(2,044)</b>	<b>27,831</b>	<b>—</b>	<b>25,787</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(31,455)</b>	<b>43,317</b>	<b>11,862</b>
New loans to customers originated	<b>14,784</b>	<b>—</b>	<b>—</b>	<b>14,784</b>
Changes in PDs/LGDs/EADs	<b>(302)</b>	<b>(367)</b>	<b>84,482</b>	<b>83,813</b>
Unwind of discount	<b>—</b>	<b>—</b>	<b>14,984</b>	<b>14,984</b>
Loans to customers derecognized during the year other than write-offs	<b>(10,061)</b>	<b>(4,713)</b>	<b>(34,525)</b>	<b>(49,299)</b>
<b>Loss allowances as at 31 December 2022</b>	<b><u>9,893</u></b>	<b><u>2,172</u></b>	<b><u>479,678</u></b>	<b><u>491,743</u></b>

**Current  
Unsecured loans**

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Loss allowances as at 31 December 2021</b>	<b>18,501</b>	<b>2,812</b>	<b>228,807</b>	<b>250,120</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(4,611)</b>	<b>12,732</b>	<b>—</b>	<b>8,121</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(8,553)</b>	<b>16,641</b>	<b>8,088</b>
New loans to customers originated	<b>172,256</b>	<b>—</b>	<b>—</b>	<b>172,256</b>
Changes in PDs/LGDs/EADs	<b>(10,091)</b>	<b>1,292</b>	<b>(19,754)</b>	<b>(28,553)</b>
Unwind of discount	<b>—</b>	<b>—</b>	<b>84</b>	<b>84</b>
Loans to customers derecognized during the year other than write-offs	<b>(156,156)</b>	<b>(4)</b>	<b>(35,699)</b>	<b>(191,859)</b>
<b>Loss allowances as at 31 December 2022</b>	<b><u>19,899</u></b>	<b><u>8,279</u></b>	<b><u>190,079</u></b>	<b><u>218,257</u></b>

**Non-current  
Unsecured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Loss allowances as at 31 December 2020</b>	4,570	—	—	4,570
New loans to customers originated	5,172	—	—	5,172
Changes in PDs/LGDs/EADs	(3,546)	—	—	(3,546)
Loans to customers derecognized during the year other than write-offs	<u>(1,647)</u>	<u>—</u>	<u>—</u>	<u>(1,647)</u>
<b>Loss allowances as at 31 December 2021</b>	<u>4,549</u>	<u>—</u>	<u>—</u>	<u>4,549</u>

**Current  
Secured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Loss allowances as at 31 December 2020</b>	5,011	2,160	356,576	363,747
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(1,119)	31,871	—	30,752
<i>Transfers from Stage 2 to Stage 3</i>	—	(20,031)	31,352	11,321
New loans to customers originated	11,732	—	—	11,732
Changes in PDs/LGDs/EADs	332	2,304	50,252	52,888
Unwind of discount	—	—	9,750	9,750
Loans to customers derecognized during the year other than write-offs	(8,440)	(5,428)	(25,901)	(39,769)
Write-offs	<u>—</u>	<u>—</u>	<u>(50,609)</u>	<u>(50,609)</u>
<b>Loss allowances as at 31 December 2021</b>	<u>7,516</u>	<u>10,876</u>	<u>371,420</u>	<u>389,812</u>

**Current  
Unsecured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Loss allowances as at 31 December 2020</b>	24,272	—	211,081	235,353
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(883)	6,383	—	5,500
<i>Transfers from Stage 2 to Stage 3</i>	—	(4,175)	11,357	7,182
New loans to customers originated	82,925	—	—	82,925
Changes in PDs/LGDs/EADs	(1,242)	611	30,543	29,912
Unwind of discount	—	—	4,837	4,837
Loans to customers derecognized during the year other than write-offs	(86,571)	(7)	(8,858)	(95,436)
Write-offs	—	—	(20,153)	(20,153)
<b>Loss allowances as at 31 December 2021</b>	<u>18,501</u>	<u>2,812</u>	<u>228,807</u>	<u>250,120</u>

**(c) Significant changes in gross carrying amount of loans to customers that contributed to changes in the ECL allowances**

The following table explains changes in the gross carrying amount of the loans to customers that help explain their significance to the changes in the ECL allowances for loans to customers:

**Non-current  
Unsecured loans**

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2021</b>	207,542	—	—	207,542
Loans to customers derecognized during the year other than write-offs	(29,000)	—	—	(29,000)
New loans to customers originated	86,050	—	—	86,050
Changes in interest accrual	236	—	—	236
<b>Gross carrying amount as at 31 December 2022</b>	<u>264,828</u>	<u>—</u>	<u>—</u>	<u>264,828</u>

**Current  
Secured loans**

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2021</b>	<b>538,408</b>	<b>42,118</b>	<b>817,840</b>	<b>1,398,366</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(109,663)</b>	<b>109,663</b>	<b>—</b>	<b>—</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(107,805)</b>	<b>107,805</b>	<b>—</b>
Loans to customers derecognized during the year other than write-offs	<b>(709,119)</b>	<b>(31,864)</b>	<b>(175,642)</b>	<b>(916,625)</b>
New loans to customers originated	<b>1,084,847</b>	<b>—</b>	<b>—</b>	<b>1,084,847</b>
Changes in interest accrual	<b>(3,501)</b>	<b>(1,055)</b>	<b>55,467</b>	<b>50,911</b>
<b>Gross carrying amount as at 31 December 2022</b>	<b><u>800,972</u></b>	<b><u>11,057</u></b>	<b><u>805,470</u></b>	<b><u>1,617,499</u></b>

**Current  
Unsecured loans**

	Year ended 31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2021</b>	<b>602,834</b>	<b>6,797</b>	<b>244,019</b>	<b>853,650</b>
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	<b>(31,644)</b>	<b>31,644</b>	<b>—</b>	<b>—</b>
<i>Transfers from Stage 2 to Stage 3</i>	<b>—</b>	<b>(17,860)</b>	<b>17,860</b>	<b>—</b>
Loans to customers derecognized during the year other than write-offs	<b>(5,306,999)</b>	<b>(5)</b>	<b>(56,594)</b>	<b>(5,363,598)</b>
New loans to customers originated	<b>5,445,451</b>	<b>—</b>	<b>—</b>	<b>5,445,451</b>
Changes in interest accrual	<b>6,749</b>	<b>3,940</b>	<b>(8,027)</b>	<b>2,662</b>
FX and other movements	<b>1,968</b>	<b>—</b>	<b>454</b>	<b>2,422</b>
<b>Gross carrying amount as at 31 December 2022</b>	<b><u>718,359</u></b>	<b><u>24,516</u></b>	<b><u>197,712</u></b>	<b><u>940,587</u></b>

**Non-current  
Unsecured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2020</b>	115,332	—	—	115,332
Loans to customers derecognized during the year other than write-offs	(43,000)	—	—	(43,000)
New loans to customers originated	135,000	—	—	135,000
Changes in interest accrual	<u>210</u>	<u>—</u>	<u>—</u>	<u>210</u>
<b>Gross carrying amount as at 31 December 2021</b>	<u><u>207,542</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>207,542</u></u>

**Current  
Secured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2020</b>	386,444	9,447	870,605	1,266,496
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(117,814)	117,814	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(60,584)	60,584	—
Loans to customers derecognized during the year other than write-offs	(698,368)	(25,573)	(93,696)	(817,637)
New loans to customers originated	962,799	—	—	962,799
Changes in interest accrual	5,347	1,014	30,956	37,317
Write-offs	<u>—</u>	<u>—</u>	<u>(50,609)</u>	<u>(50,609)</u>
<b>Gross carrying amount as at 31 December 2021</b>	<u><u>538,408</u></u>	<u><u>42,118</u></u>	<u><u>817,840</u></u>	<u><u>1,398,366</u></u>

**Current  
Unsecured loans**

	Year ended 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECLs	Lifetime ECLs	Lifetime ECLs	
<b>Gross carrying amount as at 31 December 2020</b>	774,843	—	261,210	1,036,053
Transfers:				
<i>Transfers from Stage 1 to Stage 2</i>	(26,702)	26,702	—	—
<i>Transfers from Stage 2 to Stage 3</i>	—	(20,194)	20,194	—
Loans to customers derecognized during the year other than write-offs	(3,608,168)	(8)	(19,004)	(3,627,180)
New loans to customers originated	3,461,892	—	—	3,461,892
Changes in interest accrual	871	297	1,772	2,940
Write-offs	—	—	(20,153)	(20,153)
FX and other movements	98	—	—	98
<b>Gross carrying amount as at 31 December 2021</b>	<u>602,834</u>	<u>6,797</u>	<u>244,019</u>	<u>853,650</u>

**24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at 31 December	
	2022	2021
Equity securities	72,129	31,748
Structured deposits (a)	<u>50,502</u>	<u>61,295</u>
	<u>122,631</u>	<u>93,043</u>

- (a) The interest rates of structured deposits are related to certain foreign exchange rates agreed with respective banks.
- (b) As at 31 December 2022, structured deposits with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million) have been pledged with banks to secure borrowings with principal amount of RMB49.5 million (31 December 2021: RMB59.5 million).

## 25 CASH AT BANK AND CASH ON HAND

	As at 31 December	
	2022	2021
Cash on hand	1,143	1,020
Demand deposits with banks	194,818	233,368
Deposits with securities company	844	393
Interest receivable from bank deposits	2,258	4,340
Term deposits with banks with original maturities over 3 months, net	110,076	244,226
<i>Term deposits with banks with original maturities over 3 months, gross</i>	<b>110,240</b>	244,390
<i>Less: ECL allowances</i>	<b>(164)</b>	(164)
	<b><u>309,139</u></b>	<b><u>483,347</u></b>

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

	As at 31 December	
	2022	2021
RMB	299,772	471,512
US dollar	6,835	7,915
Hong Kong dollar	<u>2,532</u>	<u>3,920</u>
	<b><u>309,139</u></b>	<b><u>483,347</u></b>

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

	As at 31 December	
	2022	2021
Cash at bank and cash on hand	309,139	483,347
Less: Unrestricted term deposits with banks with original maturities over 3 months	—	(10,000)
Interest receivable from bank deposits	(2,258)	(4,340)
Restricted term deposits pledged with banks with original maturities over 3 months	<u>(110,076)</u>	<u>(234,226)</u>
	<b><u>196,805</u></b>	<b><u>234,781</u></b>

As at 31 December 2022, restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million) are pledged with banks to secure bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) (Note 30).

## 26 SHARE CAPITAL

	Number of shares	Ordinary shares HK\$	Ordinary shares RMB
<b>Issued and fully paid</b>			
As at 31 December 2022	<u>1,090,335,000</u>	<u>10,903,350</u>	<u>8,662,017</u>
As at 31 December 2021	<u>1,090,335,000</u>	<u>10,903,350</u>	<u>8,662,017</u>

There are no movements in ordinary shares during the year.

## 27 SHARE PREMIUM AND OTHER RESERVES

	Other reserves					Total
	Share premium	Capital reserve	Statutory reserve	General reserve	Share-based payments reserve	
At 1 January 2021	602,728	504,658	77,715	4,417	6,984	1,196,502
Issue of shares under employee share scheme (a)	1,750	—	—	—	(451)	1,299
Capital movement of non-controlling interests	<u>—</u>	<u>(201)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(201)</u>
At 31 December 2021	<u>604,478</u>	<u>504,457</u>	<u>77,715</u>	<u>4,417</u>	<u>6,533</u>	<u>1,197,600</u>
At 1 January 2022	604,478	504,457	77,715	4,417	6,533	1,197,600
Issue of shares under employee share scheme (a)	—	—	—	—	—	—
Capital movement of non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2022	<u>604,478</u>	<u>504,457</u>	<u>77,715</u>	<u>4,417</u>	<u>6,533</u>	<u>1,197,600</u>

### (a) Share-based payments

The Group approved on 13 September 2016 to grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution. The options have a contractual option term of five years expired on 12 September 2021. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the year ended 31 December 2022, no ordinary shares are issued by the Company in connection with share-based payments scheme.

During the year ended 31 December 2021, the Company issued 2,566,000 ordinary shares in connection with the exercised options under the share-based payments scheme. Consideration received amounted to HK\$1,591 thousand (equivalent to approximately RMB1,320 thousand). The excess of RMB1,299 thousand over the par value of RMB21 thousand, plus transfer-in amount of RMB451 thousand previously recognized in share-based payments reserve directly contributable to the options exercised, was credited to “share premium” with a total amount of RMB1,750 thousand. Set below are summaries of options granted and forfeited under the plan for the year ended 31 December 2021:

	<b>Year ended 31 December 2021</b>	
	<b>Average exercise price in HK\$ per share option</b>	<b>Number of share options (thousands)</b>
As at 1 January	0.62	25,269
Granted	—	—
Exercised	0.62	(2,566)
Forfeited	<u>0.62</u>	<u>(22,703)</u>
 Aa at 31 December	 <u>—</u>	 <u>—</u>
 Vested and exercisable at 31 December 2021	 <u>—</u>	 <u>—</u>

## 28 RETAINED EARNINGS

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
At 1 January	<b>662,597</b>	575,428
Net profit attributable to the owners of the Company for the year	<b>41,057</b>	87,169
Dividends provided for or paid	<u>(37,329)</u>	<u>—</u>
 At 31 December	 <u><b>666,325</b></u>	 <u>662,597</u>

## 29 OTHER CURRENT LIABILITIES

	As at 31 December	
	2022	2021
Construction payables	34,844	51,114
Advance from transferee of financial assets	25,471	2,762
Advances on sales	8,609	5,303
Accrued employee benefits	7,871	7,106
Turnover tax and other tax payable	1,992	1,746
Redemption deposit	—	4,990
Provisions to financial guarantees	—	1,873
Other financial liabilities	<u>12,048</u>	<u>8,463</u>
	<u>90,835</u>	<u>83,357</u>

As at 31 December 2022, the Group's other financial liabilities are non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2021: same).

## 30 BORROWINGS

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

The Group's borrowings are all denominated in RMB.

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

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

As at 31 December 2022, bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million)(Note 25).

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

As at 31 December 2022, bank borrowings with principal amount of RMB100.0 million (31 December 2021: RMB120.2 million) are guaranteed by Jiangsu Wuzhong Jiaye Group Co., Ltd. (江蘇吳中嘉業集團有限公司) (“Wuzhong Jiaye”) and the Ultimate Shareholders.

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

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million (31 December 2020: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

- (c) As at 31 December 2022, borrowings from other companies bear a fixed interest rate of 9.0% (2021: nil).
- (d) As at 31 December 2022, borrowings from micro-finance companies with principal amount of RMB9.5 million are guaranteed by Wuzhong Jiaye (31 December 2021: nil).
- (e) As at 31 December 2022, borrowings from the Group’s employees bear a fixed interest rate of 8.0% (2021: nil).

## 31 COMMITMENTS

### (a) Capital commitments

	As at 31 December	
	2022	2021
Suzhou Cibe Management Consulting partnership (LP) ("Suzhou Cibe") (a)	20,495	29,025
Suzhou Qianhui Tongcui Venture Capital Partnership (LP) ("Qianhui Tongcui") (b)	10,000	—
Suzhou Wuzhong Tiankai Huirui Venture Capital Partnership (LP) ("Tiankai Huirui") (c)	10,000	—
Suzhou Kangli Junzhuo Digital Economy Industry Investment Fund Partnership (LP) ("Kangli Junzhuo") (d)	8,000	—
Suzhou Qianrong Yuanfeng Venture Capital Partnership (LP) ("Suzhou Qianrong") (e)	8,000	—
Suzhou Zhongxin Hengyuan Venture Capital Partnership (LP) ("Zhongxin Hengyuan") (f)	<u>2,000</u>	<u>5,000</u>
	<u><b>58,495</b></u>	<u><b>34,025</b></u>

- (a) The committed capital injection to Suzhou Cibe is RMB45.0 million, of which RMB20.5 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB29.0 million).
- (b) The committed investment injection to Qianhui Tongcui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (c) The committed investment injection to Tiankai Huirui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (e) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB5.0 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## 1. Business Review and Development

### 1.1 *Inclusive Finance Business Division*

The Inclusive Finance Business Division conducts its business through platforms such as Suzhou Wuzhong Pawnshop Co. Ltd.\* (蘇州市吳中典當有限責任公司) (“**Wuzhong Pawnshop**”), Changsha Furong District Huifang Pawnshop Co., Ltd.\* (長沙市芙蓉區匯方典當有限責任公司) (“**Changsha Pawnshop**”), Nanchang Pawnshop, Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.\* (蘇州市吳中區東山農村小額貸款有限公司) (“**Dongshan Micro-finance**”), Suzhou Huifang Rongtong SME Guided Turnover Loan Fund (Limited Partnership)\* (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) (“**Huifang Rongtong**”), Nanjing Yiling Culture and Art Co., Ltd.\* (南京藝瓏文化藝術有限公司) (“**Nanjing Yiling**”) and Suzhou Huirong Culture and Art Co., Ltd.\* (蘇州匯融文化藝術有限公司) (“**Huirong Culture**”). The division conducts pawnshop business, micro-finance business, turnover loan fund business, art investment business and luxury sales business by adhering to the concept of small-sums and dispersed inclusive finance. Major products under this division include secured loans (including real estate backed loans and movable property backed loans) and unsecured loans (including equity interest backed loans, guaranteed loans and other unsecured loans), which focus on solving short-term liquidity needs of SMEs and individuals. The business of Inclusive Finance Business Division currently mainly covers Suzhou, Chengdu, Wuhan, Hefei, Wuxi, Changsha and Nanchang, and is striving to become a leading service provider of inclusive finance in the PRC.

(a) *Pawnshop Business*

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

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

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

virtue of the series of contractual arrangements entered into by Suzhou Huifang Tongda Information Technology Co., Ltd.\* (蘇州匯方同達信息科技有限公司) (“**Huifang Tongda**”), Suzhou Huifang Technology Co. Ltd.\* (蘇州匯方科技有限公司) (“**Huifang Technology**”), Wuzhong Pawnshop, Jiangsu Wuzhong Jiaye Group Co., Ltd.\* (江蘇吳中嘉業集團有限公司) (“**Wuzhong Jiaye**”), Suzhou Xinqu Hengyue Management Consulting Co., Ltd.\* (蘇州新區恆悅管理諮詢有限公司) and the Ultimate Shareholders (the “**Contractual Arrangements**”). Wuzhong Pawnshop is one of the largest pawnshop in Mainland China. Changsha Pawnshop, established in 2021 with a registered capital of RMB50 million, is an indirect wholly-owned subsidiary of the Company. Nanchang Pawnshop, established in 2022 with a registered capital of RMB30 million, is an indirect non-wholly owned subsidiary of the Company. The Company holds 90% of the equity interests of Nanchang Pawnshop.

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

#### ① Real Estate Backed Loans

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

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of real estate backed loans granted by the Company were RMB754 million and RMB57,004 thousand, respectively, representing an increase in balance and a decrease in interest income as compared with the corresponding period of last year. The main

reason was that due to the lower credit threshold of commercial banks and the intensification of market competition, the Company has appropriately lowered the interest rate during the Reporting Year.

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

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

## ② Movable Property Backed Loans

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

As of 31 December 2022, the balance at the end of the Reporting Year (principal) and the interest income of movable property backed loans granted by the Company were RMB73 million and RMB17,347 thousand, respectively, representing an increase as compared with the corresponding

period of last year. The main reason was that the Company expanded artwork pawnshop business according to the financing needs of high net worth people, which effectively expanded the business scale.

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

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

### ③ Unsecured loans

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

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

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

In 2022, the Company paid attention to the actual business situation of the customers who were granted unsecured loans and supported customers to resume operation and production in the post-pandemic era. The

development direction of the unsecured loans in the future is to form new strategic partnerships, prudently control the existing business balance, and seek a small-sums and dispersed transformation direction.

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

(b) *Micro-finance business*

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

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

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

holds 70% of the equity interests of Dongshan Micro-finance. Dongshan Micro-finance is also a micro-finance company rated “AAA” in Jiangsu Province.

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

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

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

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

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

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

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

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

(c) *Turnover Loan Fund Business*

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

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

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

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

As of 31 December 2022, the balance of turnover loan fund business at the end of the Reporting Year (principal) was RMB30 million, representing a significant decrease as compared with the corresponding period of last year. The main reason was that the turnover loan fund business has the characteristics of short loan terms and high turnover rate, and thus the balance fluctuates greatly. As of 31 December 2022, the interest income of turnover

loan fund business was RMB10,872 thousand, representing a significant increase as compared with the corresponding period of last year. This was mainly due to the strong demand of customers for turnover loan fund business during the Reporting Year, and the strategic cooperation at the head office level between the Company and some regional banks has achieved remarkable results.

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

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

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

(d) *Art Investment Business*

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

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

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

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

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

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

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

(e) *Luxury Sales Business*

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

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

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

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

As of 31 December 2022, the total transaction number and the sales income of luxury goods were 109 and RMB1,298 thousand, respectively, representing a significant decrease in total transaction number and sales income as compared with the corresponding period of last year. The main reason was the

adjustment of the business statistical caliber of the Company, where the luxury sales business no longer counts enterprises but only counts individual customers.

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

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

## **1.2 Ecology Finance Business Division**

The Ecology Finance Business Division conducts its business through platforms such as Suzhou Huida Commercial Factoring Company Limited\* (蘇州匯達商業保理有限公司) (“**Huida Factoring**”), Suzhou Huifang Supply Chain Management Co., Ltd.\* (蘇州市匯方供應鏈管理有限公司) (“**Huifang Supply Chain**”), Suzhou Huifang Rongcui Management Consulting Co., Ltd.\* (蘇州匯方融萃企業管理諮詢有限公司) (“**Huifang Rongcui**”), Suzhou Huifang Tongcui Business Management Consulting Partnership (Limited Partnership)\* (蘇州匯方同萃企業管理諮詢合夥企業(有限合夥)) (“**Huifang Tongcui**”), Qingdao Wanchen Buliang Property Company Limited\* (青島萬宸不良資產處置有限公司) (“**Qingdao Wanchen**”), Suzhou Cibe Management Consulting Partnership (LP)\* (蘇州次貝企業管理諮詢合夥企業(有限合夥)) (“**Suzhou Cibe**”), Suzhou Huifang Anda Insurance Agency Company Limited\* (蘇州匯方安達保險代理有限公司) (“**Huifang Anda**”, formerly named as Nanjing Shun’an Insurance Agency Company Limited\* (南京舜安保險代理有限公司)) and Sichuan Aomeishu Technology Co., Ltd\* (四川奧美殊科技有限公司), adhering to the innovation of finance concept. It attaches great importance to the internal and external resources to develop commercial factoring business, supply chain management business, equity investment business, special assets investment business and insurance brokerage business.

(a) *Commercial Factoring Business*

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

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

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

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

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

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

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

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

(b) *Supply Chain Management Business*

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

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

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

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

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

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

(c) *Equity Investment Business*

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

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

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

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

As of 31 December 2022, Huifang Rongcui cooperated with six senior equity investment institutions, intended investment being RMB75 million, with actual investment of RMB47 million. These include (i) RMB10 million of planned investment in Suzhou Qianhui Xinli Venture Investment Partnership (LP)\* (蘇

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

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

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

(d) *Special Asset Investment Business*

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

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

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

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

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

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

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

(e) *Insurance Brokerage Business*

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

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

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

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

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

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

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

### 1.3 *Headquarters and Others*

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

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

The overseas finance business mainly relies on Huifang Investment Limited\* (匯方投資有限公司) (“**Huifang Investment**”) as the entity to carry out its business. Huifang Investment, established in 2011, is an indirect wholly-owned subsidiary of the Company and obtained a money lender's license with license No. MLR5279 in Hong Kong in January 2019 to develop diversified financial services.

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

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

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

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

## 2. Financial Review

### 2.1 Overall Financial Data

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

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

## 2.2 *Financial Analysis on two Principal Business Divisions*

### 2.2.1 *Inclusive Finance Business Division*

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

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

### 2.2.2 *Ecology Finance Business Division*

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

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

### 2.2.3 Headquarters and Others

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

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

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

### 3. Credit Risk

#### 3.1 Loan Classification and Impairment Allowances

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

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

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

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

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

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

*Notes:*

- (a) Secured loans to customers mainly comprise real estate backed loans and movable property backed loans.
- (b) Unsecured loans to customers mainly comprise equity interest backed loans and guaranteed loans and other unsecured loans.

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

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

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

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

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

- (i) a decline of the collaterals’ appraised value based on the latest selling records of similar assets in the market, or a forced sale of such collaterals at a price lower than previous estimate; and
- (ii) an extension of estimated time for disposal because of the epidemic or other external factors emerging during legal proceedings.

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

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

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

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

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

### 3.2 New Loans under Legal Proceedings

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

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

## 4. Borrowings

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

The Group's borrowings are all denominated in RMB.

- (a) As at 31 December 2022, non-current bank borrowing bears floating interest rate of the 5-year Loan Prime Rate minus 35 bps, with Zhonghui Financial Building as the pledge. It is repaid in a scheduled instalments within 12 years (31 December 2021: non-current bank borrowing with principal amount of RMB89.4 million is repaid in a scheduled instalments within 6 years and bears floating interest rate of the 5-year LPR plus 15 bps. The borrowing is secured by the land-use right held by the Group and guaranteed by Jiangsu Wuzhong Group Co., Ltd. (“Wuzhong Group”). As at 31 December 2022, there are no undrawn bank borrowing facilities (31 December 2021: the undrawn bank borrowing facilities are RMB4.1 million).
- (b) Current bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 3.4% to 5.2% per annum as at 31 December 2022 (31 December 2021: fixed rate from 3.4% to 5.5%).

As at 31 December 2022, bank borrowings with principal amount of RMB105.0 million (31 December 2021: RMB222.0 million) are secured by restricted term deposits of RMB110.1 million (31 December 2021: RMB234.2 million)(Note 25).

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

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

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

As at 31 December 2022, bank borrowings with principal amount of RMB30.0 million (31 December 2020: RMB30.0 million) are guaranteed by Suzhou Guofa Financing Guarantee Co., Ltd.

- (c) As at 31 December 2022, borrowings from other companies bear a fixed interest rate of 9.0% (2021: nil).
- (d) As at 31 December 2022, borrowings from micro-finance companies with principal amount of RMB9.5 million are guaranteed by Wuzhong Jiaye (31 December 2021: nil).
- (e) As at 31 December 2022, borrowings from the Group’s employees bear a fixed interest rate of 8.0% (2021: nil).

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

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

## **5. Capital Expenditure**

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

## **6. Exposure to Foreign Exchange Risk**

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

## **7. Pledge of Assets**

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

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

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

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

## 8. Significant Investments, Acquisition and Disposal

### 8.1 *Establishment of Huifang Tongcui*

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

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

### 8.2 *Establishment of Nanchang Pawnshop*

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

PRC, the establishment of Nanchang Pawnshop is a strategic step for the Group to leverage on its existing strength, resources and expertise to broaden its customer base and strengthen its dominant position in the pawnshop industry in the PRC.

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

## 9. Contingencies, Contractual Obligations and Cash Usage Analysis

### 9.1 Contingencies

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

### 9.2 Commitments

#### (a) Capital commitments

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

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

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

- (c) The committed investment injection to Tiankai Huirui is RMB20.0 million, of which RMB10.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (d) The committed investment injection to Kangli Junzhuo is RMB10.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (e) The committed investment injection to Suzhou Qianrong is RMB20.0 million, of which RMB8.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: nil).
- (f) The committed investment injection to Zhongxin Hengyuan is RMB10.0 million, of which RMB2.0 million has not been paid by the Group as at 31 December 2022 (31 December 2021: RMB5.0 million).

### 9.3 Cash Usage Analysis

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

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

#### *Net Cash Flow from Operating Activities*

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

### *Net Cash Flow from Investing Activities*

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

### *Net Cash Flow from Financing Activities*

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

## **10. Human Resource and Employee Benefits**

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

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

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

## **11. Future Plans Relating to Material Investments**

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

## **12. Events After Reporting Year**

A dividend in respect of the year ended 31 December 2022 of HK\$0.03 per share, amounting to a total dividend of HK\$32.7 million (equivalent to approximately RMB29.2 million), is to be proposed at the annual general meeting on 12 June 2023

(2021: HK\$0.04 per share, amounting to a total dividend of HK\$43.6 million (equivalent to approximately RMB38.0 million)). These financial statements do not reflect this dividend payable.

## **PROSPECTS**

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

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

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

## **FINAL DIVIDEND**

The Board has proposed to declare a final dividend of HK\$0.03 per share in respect of the year ended 31 December 2022 (the “**2022 Final Dividend**”) (2021: HK\$0.04). The 2022 Final Dividend will be paid to the shareholders of the Company (“**Shareholders**”) whose names appear on the register of members of the Company at the close of business on Monday, 19 June 2023. Based on the 1,090,335,000 shares of the Company in issue as at 31 December 2022, the payment of the 2022 Final Dividend is expected to amount to

approximately HK\$32,710,050, which will be paid on or before Wednesday, 12 July 2023. The retained profit will be primarily used for the Group's business developments and/or acquisitions in the PRC.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **THE INVESTMENT FUND**

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

### **Investment objective**

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

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

### **Term**

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

## **Executive partners and manager**

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

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

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

## **Management fee**

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

## **Profit distribution and loss sharing**

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

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

- (iii) to all partners in accordance with the proportion of paid-up capital contributed by each partner at the time of distribution, until the amount received by each partner represents an average net investment return (calculated by the amount of paid-up capital contributed from the date of actual contribution to the date of distribution) of 8% per annum; and
- (iv) the remaining balance shall be distributed as follows:
  - (a) 80% to all partners in accordance with the proportion of their paid-up capital contribution; and
  - (b) 20% to Qianhui Investment and Huifang Tongcui equally.

### **Investment committee**

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

### **Investment restrictions**

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

- (i) invest in secondary market stocks, futures, securities investment funds, corporate bonds rated below AAA, trust products, nonprincipal-protected wealth management products, insurance plans and other financial derivatives;
- (ii) engage in guarantee, mortgage, entrusted loan, real estate transactions (including purchase of self-occupied real estate) and other related businesses;
- (iii) expend on sponsorships or donations;
- (iv) directly or indirectly accept public deposits, or provide loans or lend money to any third party;
- (v) engage in any investment with unlimited liability;
- (vi) issue trust products or pooled financial products to raise funds; or
- (vii) engage in any other business that is prohibited by the PRC laws and regulations.

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

## **ANNUAL RESULTS AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The audit committee of the Company has held a meeting with the auditors of the Company to review the annual results of the Group for the year ended 31 December 2022.

The figures in respect of the results announcement of the Group for the year ended 31 December 2022 have been compared and agreed by the Group's auditors, PricewaterhouseCoopers, with the amounts set out in the Group's audited consolidated financial statements for the Reporting Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on 12 June 2023. A notice convening the annual general meeting of the Company will be published and dispatched to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 7 June 2023 to Monday, 12 June 2023 (both dates inclusive) and from Friday, 16 June 2023 to Monday, 19 June 2023 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general

meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Tuesday, 6 June 2023. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Thursday, 15 June 2023.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.cnhuirong.com](http://www.cnhuirong.com)). The annual report for the year ended 31 December 2022 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

## **DEFINITION**

Unless otherwise required by the context, terms used in this announcement shall have the same meanings as those defined in the interim report 2022.

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

Suzhou, China, 28 March 2023

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

\* *For identification purpose only*