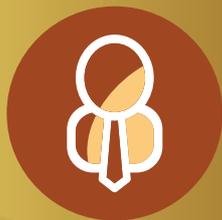




Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司

(Established in the People's Republic of China with limited liability)
Stock Code: 1577



ANNUAL REPORT 2022

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Corporate Information

DIRECTORS

Executive Directors

Mr. Wu Zhirui (*Chairman*)
Mr. Zhou Yongwei
Mr. Yan Zhijiang
Ms. Liu Aiqin

Non-executive Directors

Mr. Jiang Haiying
Mr. Cai Rongjun

Independent Non-executive Directors

Mr. Zhang Lihe
Mr. Lin Jianguo
Mr. Sun Leland Li Hsun

SUPERVISORS

Mr. Wang Shijie (*Chairman*)
Mr. Li Jiancheng
Ms. Ruan Cen
Mr. Chen Jinzhu
Mr. Wu Lindi

AUDIT COMMITTEE

Mr. Zhang Lihe (*Chairman*)
Mr. Lin Jianguo
Mr. Cai Rongjun

REMUNERATION COMMITTEE

Mr. Lin Jianguo (*Chairman*)
Mr. Sun Leland Li Hsun
Mr. Wu Zhirui

NOMINATION COMMITTEE

Mr. Zhang Lihe (*Chairman*)
Mr. Sun Leland Li Hsun
Mr. Zhou Yongwei

JOINT COMPANY SECRETARIES

Mr. Yan Zhijiang
Ms. Ng Ka Man (*ACG, HKACG*)

AUTHORISED REPRESENTATIVES

Mr. Wu Zhirui
Mr. Yan Zhijiang

REGISTERED ADDRESS

12/F, Former Finance Building
No.361 Feng Ze Street
Quanzhou
Fujian
PRC

HEADQUARTERS/PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 105 Daxing Street
Fengze District
Quanzhou
Fujian
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

www.qzhuixin.net

STOCK CODE

1577

AUDITOR AND REPORTING ACCOUNTANT

Ernst & Young
Certified Public Accountants

LEGAL ADVISER

Akin Gump Strauss Hauer & Feld
(as to Hong Kong laws)

H SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

The Agricultural Bank of China
Jinjiang Jinjing Sub-Branch
No. 200 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou City
Fujian Province
PRC

China Minsheng Bank
Quanzhou Branch
No. 689 Citong Street
Fengze District
Quanzhou City
Fujian Province
PRC

Xiamen Bank
Yinlong Sub-Branch
No. 857 Xiahe Street
Huli District
Xiamen City
Fujian Province
PRC

Xiamen Bank
Quanzhou Branch
No. 474 Huixin Street
Licheng District
Quanzhou City
Fujian Province
PRC

Chairman's Statement

On behalf of the Board, I would like to present our operating results for 2022 to all Shareholders, and express my gratitude for their support to the Group.

For the year ended 31 December, 2022, our net interest income was RMB135.6 million; our net profit was RMB72.4 million; and our outstanding loan amounted to RMB851.7 million.

In 2022, the global economic recovery from the epidemic was far less than expected and so is China. Affected by (i) China tightened economic policies in the second half of 2021 to curb overheated demands; (ii) ongoing epidemic reduced residents' income and market expectations for economic growth; (iii) Russian-Ukrainian war disrupted global raw material prices; and (iv) international trade wars intensified resulting in restructuring of global supply chains, China's market expectations for economic growth and residents' consumption were weakened, and the price indices and inflation expectations of major developed countries were soared. The world entered a stage of rapid rate hikes, which dampened consumption and investment demand. Given such backdrop and the fact that major developed countries have been China's main exporters, both domestic and foreign demands were sluggish as compared with the previous year in 2022, especially in the second half of 2022.

Meanwhile, the Chinese government promulgated a series of supporting policies for protecting SMEs from impact from the pandemic during the outbreak. Those policies brought both positive and negative impacts to the Company's lending business. Financial institutions, mainly banks, has increased the grant of inclusive loans to SMEs, expanded the credit coverage for SMEs and lowered the interest rate for SMEs' loans significantly. Consequently, such policies weakened the our market competitiveness as more clients applied for short-term loans resulting in the weaker bargaining power of the Company.

The Company committed to conducting its operation in a prudent manner to cope with the operation risks. The Company continued to follow the principle of prudence, small loans and diversified clients as for general credit access and approval; analyzed the actual needs of the clients and prudently assessed clients' continuing operation ability and reasonableness of their loan usage; improved the satisfaction of the clients with efficient approval and flexible use and repayment methods. In order to maintain the sustainable and steady development of its business, the Company granted loans to those with quality residential properties and other assets as collateral, and also promoted the development of mortgage business with established industrial land and plant. Besides, after the pandemic lockdown was lifted, the Company especially focused on the post-loan work to follow up clients' production and operation and adjust their loan usage and repayment schedule in a reasonable manner for eliminating potential risks, and conducted a timely investigation and adjustment over the asset value assessment criteria and mortgage ratio for residential mortgage loans.

In order to promote the construction of a learning-oriented organizational culture and meet the learning needs of employees to expand their horizons, exchange knowledge, and improve skills, we have launched reading sharing sessions. With the purpose of "reading for self-cultivation and learning for application" and the principle of fully exchanges, encouragement of collision, deep thinking, and active expression, we provide all employees with a platform for reviewing typical projects, industry research and analysis, and sharing of reading experience. In addition, we inspire them to gain knowledge for development through learning and exchange. At the same time, we also train employees to become mentors, and formulate training topics based on their own work experience. As such, they can explain the problems that arouse in the work, so that the training is more targeted and practical problems can be solved better.

In 2023, our Group will continue to focus on business development and repay Shareholders and the society with our practical actions.

Quanzhou Huixin Micro-credit Co., Ltd.

WU Zhirui

Chairman

29 March 2023

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the *Plan for Promoting the Development of Inclusive Finance (2016–2020)* (*Guo Fa [2015] No. 74*) (推進普惠金融發展規劃 (2016–2020年) (國發[2015]74號)), which aims to improve the quality and the coverage of inclusive finance service. In 2017, the government of Quanzhou City promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses. In 2018, the Quanzhou Financial Affairs Bureau (泉州市金融工作局) and certain other government departments promulgated *Opinions on the Implementation of Strengthening Financial Services of Real Economy to further Facilitate and Reduce the Cost of the Financing* (關於加強實體經濟金融服務進一步緩解融資難融資貴的實施意見), which allow microfinance companies in Quanzhou to comprehensively carry out microfinance business mainly for SMEs and ‘agriculture, rural and farmers’ (三農) in Quanzhou City. In 2021, to further support the development of microfinance companies in Quanzhou City, Quanzhou Financial Affairs Office promulgated *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies* (泉州市金融工作辦公室關於促進小額貸款公司持續健康發展的若干意見).

BUSINESS OVERVIEW

Our Group is principally engaged in loan business. Based in Quanzhou City, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2022, according to the statistics of the Fujian Financial Supervision Bureau (福建省地方金融監督管理局). We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

During the Reporting Period, we generated substantially all of our income by charging interest on the loans extended to our customers. For the year ended 31 December 2022, the total loans granted to our customers amounted to RMB1,194.0 million. Our interest income from loans receivable was RMB138.5 million for the year ended 31 December 2022.

Management Discussion and Analysis (continued)

We financed our operations primarily through a combination of share capital of our Shareholders and bank borrowings. The following table sets forth our share capital, net capital, principal amount of outstanding loans and loan/net capital ratio as of the dates indicated:

	As of 31 December	
	2022	2021
Share capital (RMB in millions)	680.0	680.0
Net capital (RMB in millions) ⁽¹⁾	1,239.3	1,207.5
Principal amount of outstanding loans (RMB in millions)	851.7	1,036.6
Loan/net capital ratio ⁽²⁾	0.69 times	0.86 times

Notes:

(1) Represents the aggregate of our share capital, reserves and retained profits of our Group.

(2) Represents the principal amount of our outstanding loans divided by our net capital.

Our Loan Business

Loan Portfolio

The principal amount of our outstanding loans decreased steadily from RMB1,036.6 million as of 31 December 2021 to RMB851.7 million as of 31 December 2022, primarily due to the adjustment of our loan size as the slowdown in local economy growth and the easing of bank credit policies has seized the loan market.

The following table sets forth the balance of our loans by industry as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Manufacturing	384,597	45.2	501,284	48.4
Wholesale and retail	49,793	5.8	120,651	11.6
Financial	101,414	11.9	101,829	9.8
Construction	110,838	13.0	114,371	11.0
Public facilities and commercial service	62,160	7.3	58,724	5.7
Agriculture	77,500	9.1	83,500	8.1
Transportation, warehousing and post	1,100	0.1	7,715	0.7
Others	64,274	7.6	48,564	4.7
Total	851,676	100.0	1,036,638	100.0

Management Discussion and Analysis (continued)

Revolving Loans and Term Loans

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions, depending on a customer's repayment and re-borrowing needs. The following table sets forth the principal amount of our revolving loans and term loans as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	588,065	69.0	603,680	58.2
Term loans	263,611	31.0	432,958	41.8
Total	851,676	100.0	1,036,638	100.0

Loan Portfolio by Security

Our loans receivable consist of credit loans, guaranteed loans and collateral-backed loans. The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	2,000	0.2	53,710	5.2
Guaranteed loans	151,802	17.8	241,503	23.4
Collateral-backed loans				
— with guarantee	418,569	49.2	523,153	50.4
— without guarantee	279,305	32.8	218,272	21.0
Total	851,676	100.0	1,036,638	100.0

Our credit loans and guaranteed loans decreased from RMB53.7 million and RMB241.5 million as of 31 December 2021 to RMB2.0 million and RMB151.8 million as of 31 December 2022, respectively, mainly because we enhanced our approval standard of the loans and strategically reduced the credit and guaranteed loans to cope with the market changes.

Management Discussion and Analysis (continued)

The following table sets forth the interest rates of our loans by security as of the dates indicated:

	As of 31 December			
	2022		2021	
	% (lowest)	% (highest)	% (lowest)	% (highest)
Credit loans	12.0	12.0	12.0	21.6
Guaranteed loans	12.0	24.0	12.0	24.0
Collateral-backed loans				
– with guarantee	12.0	24.0	15.0	24.0
– without guarantee	8.0	24.0	8.0	24.0

Collateral-backed Loans

The collateral obtained by our Group under our collateral-backed loans mainly consists of building ownership rights, building and land use rights, and shares. The following table sets forth the types of collaterals under our collateral-backed loans as of the dates indicated:

	As of 31 December	
	2022 RMB'000	2021 RMB'000
Building ownership rights	380,574	366,144
Building and land use rights	73,250	132,288
Shares	161,868	179,940
Others	82,182	63,053

Maturity Profile of Loan Portfolio

As of 31 December 2022, our maturity profiles within one year and over one year accounted for 83.2% and 16.8% of the total principal amount of outstanding loans, respectively. The following table sets forth the maturity profile of our loans based on the contractual maturity date of the principal amount as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
Past due	119,219	14.0 ⁽¹⁾	132,830	12.8 ⁽¹⁾
Due within three months	202,548	23.8	208,577	20.1
Due between three months and one year	386,825	45.4	541,087	52.2
Due over one year	143,084	16.8	154,144	14.9
Total	851,676	100.0	1,036,638	100.0

Note:

- (1) The percentage equals to the default ratio as of the respective dates during the Reporting Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.

Management Discussion and Analysis (continued)

Past Due Loans

The principal amount of our past due loans was RMB132.8 million and RMB119.2 million as of 31 December 2021 and 2022, respectively, accounting for 12.8% and 14.0% of the total principal amount of our outstanding loans as of the same dates.

We had 25 past due loans with an aggregate amount of RMB132.8 million as of 31 December 2021. As of 31 December 2022, RMB13.3 million of the principal amount of these past due loans as of 31 December 2021 had been settled and RMB10.2 million of the principal amount of these past due loans as of 31 December 2021 had been written off. As of 31 December 2022, the remaining portion of principal amount of past due loans as of 31 December 2021 was RMB109.3 million and the allowance for impairment losses for these loans was RMB45.1 million.

As of 31 December 2022, we had 26 past due loans with an aggregate principal amount of RMB119.2 million, and our allowance for impairment losses for these past due loans as of the same date was RMB26.3 million.

The principal amount of our past due loans decreased from RMB132.8 million as of 31 December 2021 to RMB119.2 million as of 31 December 2022, mainly because some loans have been settled through the disposal of pledges. Since most of the past due loans were pledged or guaranteed by collaterals, we expect the loss probability of our past due loans is low.

Loan Portfolio by Exposure Size

The following table sets forth the distribution of the principal amount of our outstanding loans and the number of borrowers by exposure size as of the dates indicated:

	As of 31 December					
	2022			2021		
	Number of borrower ⁽¹⁾	RMB'000	% ⁽²⁾	Number of borrower ⁽¹⁾	RMB'000	% ⁽²⁾
Principal amount of outstanding loans:						
Up to RMB1.0 million	105	48,135	5.6	183	87,864	8.5
Over RMB1.0 million to RMB3.0 million (inclusive)	58	116,870	13.7	74	129,784	12.5
Over RMB3.0 million to RMB5.0 million (inclusive)	73	330,940	38.9	79	360,965	34.8
Over RMB5.0 million to RMB10.0 million (inclusive)	15	153,015	18.0	24	204,824	19.8
Over RMB10.0 million	8	202,716	23.8	12	253,201	24.4
Total	259	851,676	100.0	372	1,036,638	100.0

Notes:

- (1) Loans granted to a single borrower under multiple loan agreements are aggregated for the purpose of the calculation of loan exposure size to such customer.
- (2) Represents the principal amount of outstanding loans of each category divided by the total principal amount of our outstanding loans.

Management Discussion and Analysis (continued)

We adopted a loan classification approach to manage our loan portfolio risk. We categorize our loans by reference to the “Five-Tier Principle” set forth in the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會). We make provisions for the anticipated level for loan loss after categorizing the loan according to the “Five-Tier Principle”. According to the “Five-Tier Principle”, our loans are categorized as “normal”, “special-mention”, “substandard”, “doubtful” or “loss” according to their levels of risk. We consider our “substandard”, “doubtful” and “loss” loans as non-performing loans. The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Normal	508,440	59.7	671,331	64.8
Special-mention	259,680	30.5	262,029	25.3
Substandard	30,658	3.6	47,167	4.6
Doubtful	51,647	6.1	52,736	5.1
Loss	1,251	0.1	3,375	0.2
Total	851,676	100.0	1,036,638	100.0

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKFRS 9. For the loans in stage 1 and stage 2 for measurement of ECL which were the “normal” loans and part of “special-mention” loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For remaining loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

As of 31 December 2021 and 2022, our “substandard” loans decreased from RMB47.2 million as of 31 December 2021 to RMB30.7 million as of 31 December 2022 mainly because (i) part of the past due loans of the Company categorized as “normal” and “special-mention” in 2021 with aggregate amount of RMB1.4 million were downgraded to “substandard” taking into account of the borrowers’ repayment ability; (ii) RMB6.3 million of our “substandard” loans as of 31 December 2022 were collected; and (iii) RMB11.6 million of our “substandard” loans in 2022 were downgraded to “doubtful”. Our “doubtful” loans decreased from RMB52.7 million as of 31 December 2021 to RMB51.6 million as of 31 December 2022 mainly because RMB8.9 million of principal amount of the past due loans were written off as a result of the increasing credit risk. Meanwhile, RMB3.7 million of our “doubtful” loans as of 31 December 2021 were collected in 2022. RMB0.8 million of our “loss” loans were collected and RMB1.3 million of our “loss” loans were written off during the Reporting Period.

Management Discussion and Analysis (continued)

The following table sets forth the key default and loss ratios reflecting the asset quality of our loan business:

	As of/For the year ended 31 December	
	2022 (RMB'000, except for percentage)	2021 (RMB'000, except for percentage)
Non-performing loan ratio⁽¹⁾	9.8%	9.9%
Balance of non-performing loans receivable	83,556	103,279
Balance of gross loans receivable	857,724	1,043,415
Allowance coverage ratio⁽²⁾	70.0%	59.3%
Allowance for loans losses⁽³⁾	58,456	61,235
Balance of non-performing loans receivable	83,556	103,279
Provision for impairment losses ratio⁽⁴⁾	6.8%	5.9%
Loss ratio⁽⁵⁾	5.9%	8.0%
Net charge of impairment allowance on loans receivable	8,163	11,175
Interest income	138,471	139,140

Notes:

- (1) Represents the balance of non-performing loans receivable divided by the balance of gross loans receivable. Non-performing loan ratio indicates the quality of our loan portfolio.
- (2) Represents the allowance for loans losses for all loans divided by the balance of non-performing loans receivable. The allowance for non-performing loans losses for all loans includes allowances provided for performing loans and allowances provided for non-performing loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.
- (3) Allowance for loans losses reflects our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowance for loans losses divided by the balance of gross loans receivable. Provision for loans losses ratio measures the cumulative level of provisions.
- (5) Represents the net charge of impairment allowance on loans receivable divided by our interest income. Loss ratio is a benchmark which our management uses to monitor our financial results in relation to impairment losses incurred.

Our non-performing loans receivable decreased from RMB103.3 million as of 31 December 2021 to RMB83.6 million as of 31 December 2022 as a result of the settlement and write-off of some loans. Our non-performing loan ratio was 9.9% and 9.8% as of 31 December 2021 and 2022.

Management Discussion and Analysis (continued)

Compliance with Key Regulatory Requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status for the year ended 31 December 2022:

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the year ended 31 December 2022.
The debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.	Our Group complied with such requirement for the year ended 31 December 2022.
The <i>Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases (Amended in December 2020)</i> (最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020年12月修訂)) (the “ 2020 Judicial Interpretation ”) promulgated by the Supreme People's Court (最高人民法院) on 29 December 2020 which became effective on 1 January 2021 provides that: (i) the interest on a loan accruing from the effective date of the loan agreement to 20 August 2020 calculated pursuant to the then judicial interpretation; and (ii) the interest on a loan accruing from 19 August 2020 calculated pursuant to the 2020 Judicial Interpretation, shall be supported by the court if the loan agreement took effect before 20 August 2020 and the lending case in relation to such loan agreement accepted by the court after 20 August 2020.	Our Group complied with such applicable requirement for the year ended 31 December 2022.
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the year ended 31 December 2022.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 10% of the net capital of such microfinance company.	Our Group complied with such requirement for the year ended 31 December 2022.
Upon the listing of the H shares of the Company on the main board of the Stock Exchange on 30 September 2016, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the “ Amended 70% Requirement ”).	Our Group complied with the Amended 70% Requirement for the year ended 31 December 2022.

Management Discussion and Analysis (continued)

FINANCIAL OVERVIEW

Interest Income, Net

We generate substantially all of our interest income from interest on loans that we provide to our customers. We incur interest expense on bank borrowings which are principally used to fund our loan business.

The following table sets forth our interest income and interest expense for the years indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Interest income on:		
Loans receivable	138,502	139,788
Interest expense on:		
Bank loans	(2,823)	(2,068)
Lease liabilities	(81)	(26)
Interest income, net	135,598	137,694

Interest Income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans. Interest income from outstanding performing loans is mainly affected by (i) the balance of our outstanding performing loans; and (ii) the effective interest rates that we charge on our performing loans.

The following table sets forth the average balance of our outstanding performing loans and corresponding average effective interest rate per annum for the years indicated:

	Year ended 31 December	
	2022	2021
Average balance of outstanding performing loans ⁽¹⁾ (RMB'000)	734,177	805,903
Average effective interests rate per annum ⁽²⁾	16.08%	15.25%

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the years indicated.

(2) Calculated by dividing the interest income for the year by the average balance of outstanding performing loans for the years indicated.

Management Discussion and Analysis (continued)

Our loan business is primarily funded by our share capital as well as our bank borrowings. Our interest income slightly decreased by 0.9% from RMB139.8 million for the year ended 31 December 2021 to RMB138.5 million for the year ended 31 December 2022. The average balance of our outstanding performing loans decreased by 8.9% from RMB805.9 million in 2021 to RMB734.2 million in 2022. Such decrease were primarily because of the decrease in our loan size. For the years ended 31 December 2021 and 2022, our average effective interest rate per annum on our performing loans slightly increased from 15.3% to 16.1%. Such increase was primarily due to the increase in the interest rate of new loans we granted during the Reporting Period.

Interest Expense

The following table sets forth the average balance of our short-term bank borrowings and effective interest rates per annum for the years indicated:

	Year ended 31 December	
	2022	2021
Average balance of bank borrowings ⁽¹⁾ (RMB'000)	49,464	44,405
Effective interests rate per annum ⁽²⁾	5.71%	4.66%

Notes:

- (1) Calculated as the average balance of our bank borrowings for the years indicated.
- (2) Calculated by dividing the interest expense for the year by the average balance of bank borrowings for the year.

Our average balance of bank borrowings increased from RMB44.4 million for the year ended 31 December 2021 to RMB49.5 million for the year ended 31 December 2022, which was generally in line with our business development.

Net Charge of Impairment Allowance on Loans and Accounts Receivable

Net charge of impairment allowance on loans and accounts receivable mainly arose from the balance of allowance for impairment loss we made in relation to our loans and accounts receivable during the relevant periods.

We review our loan portfolios and finance leases periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss.

Our net charge of impairment allowance on loans and accounts receivable for the years ended 31 December 2021 and 2022 were RMB10.9 million and RMB7.8 million, respectively. Such decrease was primarily due to (i) the decrease in provision of loans as a result of the decline of credit risk of the market; and (ii) the collection of previously impaired loans resulting in the reversal of provisions.

Management Discussion and Analysis (continued)

Operating and Administrative Expenses

Our operating and administrative expenses mainly include taxes and surcharges, staff costs, depreciation and amortization expenses, auditor's remuneration and others. The table below sets forth the components of our operating and administrative expenses by nature for the years indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Tax and surcharges	926	1,210
Staff costs:		
Salaries, bonuses and allowances	11,395	12,283
Other social welfare	2,194	2,222
Depreciation and amortization	3,532	2,996
Auditor's remuneration	1,415	1,415
Others	5,055	5,338
Total operating and administrative expenses	24,517	25,464

Our tax and surcharges primarily comprise city maintenance and construction tax and additional education fee, accounting for 4.8% and 3.8% of our operating and administrative expenses for the years ended 31 December 2021 and 2022, respectively. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 57.0% and 55.4% of our operating and administrative expenses for the years ended 31 December 2021 and 2022, respectively.

Our operating and administrative expenses decreased from RMB25.5 million for the year ended 31 December 2021 to RMB24.5 for the year ended 31 December 2022 mainly because of the decrease in staff costs.

Net Investment Losses

Our net losses on financial instrument consist of dividend and other income, net realized losses and gains, and unrealized losses.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Dividend and other income	6,880	7,162
Net realized (losses)/gains	(6,974)	11,327
Unrealized losses	(12,224)	(27,584)
Total	(12,318)	(9,095)

Our net investment losses increased from RMB9.1 million for the year ended 31 December 2021 to RMB12.3 million for the year ended 31 December 2022 mainly due to the fluctuation of the stock price of PRC listed securities we invested.

Management Discussion and Analysis (continued)

Other Income and Gains, Net

Our net other income and gains consist of interest from bank deposits, government grants, disposal of property and equipment, and other gains.

The following table sets forth the details of our net other income and gains for the years indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants	2,954	1,131
Interest from bank deposits	590	415
Others	1,367	1,557
Total	4,911	3,103

Income Tax Expense

During the years ended 31 December 2021 and 2022, we were subject to the general tax rate of 25% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and 29 December 2018. Our income tax expense for the years ended 31 December 2021 and 2022 was RMB20.2 million and RMB23.2 million, respectively, and our effective tax rate for the same years was 24.6% and 24.3%.

The Directors confirmed that we have paid all relevant taxes and are not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC.

Net Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB62.0 million and RMB72.4 million for the years ended 31 December 2021 and 2022, respectively. The profit attributable to owners of the parent company for the year ended 31 December 2021 and 2022 was RMB42.1 million and RMB60.7 million.

Liquidity and Capital Resources

We have in the past funded our working capital and other capital requirements primarily by equity contributions from our shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. We monitor our cash flows and cash balance on a regular basis and strive to maintain liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

Our gearing ratio which represented the percentage of our net debt divided by the aggregate of our capital and net debt, decreased from 5.6% as of 31 December 2021 to -10.2% as of 31 December 2022, mainly because of the increase in cash and cash equivalents.

Management Discussion and Analysis (continued)

Cash Flows

The following table sets forth a selected summary of our cash flows statement for the years indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net cash flows from operating activities	215,189	43,475
Net cash flows used in investing activities	(1,583)	(3,169)
Net cash flows used in financing activities	(111,489)	(31,047)
Net increase in cash and cash equivalents	102,117	9,259
Cash and cash equivalents at the beginning of year	28,707	19,686
Effect of foreign exchange rate changes, net	254	(238)
Cash and cash equivalents at the end of year	131,078	28,707

Net cash flows from operating activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term microfinance business.

Our cash generated from operating activities primarily consists of loans repaid by our customers and interest income from loans that we grant to customers. Our cash used in operating activities primarily consists of that we extend to our customers. Net cash flows from operating activities reflect: (i) our profit before tax adjusted for non-cash and non-operating items, such as unrealised losses, charge on impairment, accreted interest on impairment loans, foreign exchange (gain)/loss, loss on disposal of property and equipment, as well as depreciation and amortization; (ii) the effects of changes in working capital; and (iii) income tax paid.

Net cash flows from operating activities for the year ended 31 December 2022 was RMB215.2 million. Net cash flows generated from operating activities before working capital adjustment was RMB101.9 million. Cash inflows primarily consisted of: (i) the decrease in loan size resulting in the decrease in loans and accounts receivable of RMB196.5 million; (ii) the increase in financial liabilities at fair value through profit or loss of RMB0.4 million; and (iii) the decrease in other assets of RMB1.3 million. Cash outflows primarily consisted of: (i) the increase in financial assets at fair value through profit or loss of RMB46.5 million; and (ii) the decrease in other payables of RMB4.7 million.

Net cash flows used in investing activities

For the year ended 31 December 2022, our net cash flows used in investing activities was RMB1.6 million, which was mainly due to the purchase of property and equipment and intangible assets.

Net cash flows used in financing activities

For the year ended 31 December 2022, our net cash flows used in financing activities was RMB111.5 million, which is mainly consisted of: (i) the payment of dividend of RMB34.0 million; (ii) the dividend paid to non-controlling shareholders of JJHX of RMB6.7 million; (iii) the net repayment of bank borrowings of RMB67.6 million; (iv) the payment of interests on bank borrowing of RMB2.3 million; and (v) the lease payments of RMB0.9 million.

Management Discussion and Analysis (continued)

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2021 and 2022, the total cash and cash equivalents amounted to RMB28.7 million and RMB131.1 million, respectively, which we considered to be adequate based on our actual working capital needs.

Selected Items of the Statements of Financial Position

	As of 31 December	
	2022 RMB'000	2021 RMB'000
Assets		
Cash and cash equivalents	143,269	40,898
Financial assets at fair value through profit or loss	318,056	283,741
Loans and accounts receivable	799,394	983,289
Property and equipment	9,905	11,243
Right-of-use assets ⁽¹⁾	1,112	1,498
Goodwill	14,729	14,729
Other Intangible assets	548	437
Deferred tax assets	27,041	19,568
Other assets	11,899	13,283
Total assets	1,325,953	1,368,686
Liabilities		
Interest-bearing bank borrowings	38,919	106,051
Financial liabilities at fair value through profit or loss	10,356	9,976
Lease liabilities	1,191	1,654
Income tax payable	12,424	15,230
Provision	13,114	12,670
Deferred tax liabilities	735	856
Other payables	9,896	14,705
Total liabilities	86,635	161,142
Net assets	1,239,318	1,207,544

Note:

(1) The right-of-use assets mainly consist of the leases of properties.

Management Discussion and Analysis (continued)

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2021 and 2022, we had cash and cash equivalents of RMB40.9 million and RMB143.3 million, respectively. Such increase in our cash and cash equivalents was primarily due to the decrease in loan size.

Loans and Accounts Receivable

Our loans and accounts receivable consist of net lease receivables and loans receivable. We consider a financial asset in default when it is overdue for more than 90 days.

The following table sets forth our loans and accounts receivable and allowance for impairment losses as of the dates indicated:

	As of 31 December	
	2022 RMB'000	2021 RMB'000
Net lease receivables	392	1,102
Loans receivable	857,724	1,043,715
Total loans and accounts receivable	858,116	1,044,817
Less: Allowance for impairment losses		
— Individual assessed	(50,737)	(46,676)
— Collective assessed	(7,985)	(14,852)
Total allowance for impairment losses	(58,722)	(61,528)
Net loans and accounts receivable	799,394	983,289

Our net loans receivable decreased from RMB983.3 million as of 31 December 2021 to RMB799.4 million as of 31 December 2022 because of the slow growth of national economic and the decreased capital needs of enterprises as a result of the impact of pandemic.

Management Discussion and Analysis (continued)

As of 31 December 2022, our maturity profiles within one year and over one year accounted for 83.3% and 16.7% of the total loans, respectively. The following table sets forth a maturity portfolio of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Past due	119,219	13.9	132,916	12.7
Due within three months	206,096	24.0	211,285	20.2
Due between three months and six months	211,808	24.7	308,435	29.6
Due between six months and one year	177,517	20.7	236,883	22.7
Due over one year	143,084	16.7	154,196	14.8
Total	857,724	100.0	1,043,715	100.0

The majority of our loans during the years ended 31 December 2021 and 2022 were guaranteed loans and collateral-backed loans, which accounted for 23.4% and 71.4% of our loans receivables as of 31 December 2021 and 17.8% and 82.0% of our loans receivables as of 31 December 2022, respectively. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Credit loans	2,000	0.2	54,117	5.2
Guaranteed loans	152,514	17.8	243,988	23.4
Collateral-backed loans				
— with guarantee	423,354	49.4	526,905	50.4
— without guarantee	279,856	32.6	218,705	21.0
Total	857,724	100.0	1,043,715	100.0

Financial Assets at Fair Value through Profit or Loss

For the year ended 31 December 2022, our financial assets at fair value through profit or loss primarily consisted of wealth management products, listed securities and funds, unlisted equity investments and private equity funds, and non-performing loans ("NPLs").

We invest in wealth management products, listed securities and funds, unlisted equity investments and private equity funds and NPLs with our laid-up capital, and the investment amount should match our capital structure in terms of scale and must not affect our ordinary business operations. All such financial assets, depending on their amounts and types, will be strictly reviewed and approved by our management at different levels. Our securities investment team conducts risk control and supervision over our investments to effectively manage the investment procedures. As of 31 December 2022, the balance of our wealth management products, listed securities and funds, unlisted equity investments and private equity funds, and NPLs were RMB56.9 million, RMB148.6 million, RMB50.4 million and RMB62.2 million, respectively.

Management Discussion and Analysis (continued)

Goodwill

Our goodwill remained at RMB14.7 million as of 31 December 2021 and 2022.

Other Intangible Assets

Other intangible assets slightly increased from RMB0.4 million as of 31 December 2021 to RMB0.5 million as of 31 December 2022.

Deferred Tax Assets

The deferred tax assets increased from RMB19.6 million as of 31 December 2021 to RMB27.0 million as of 31 December 2022, mainly due to the increase in the deductible temporary differences before income tax arising from impairment losses and unrealized losses on financial instruments.

Other Assets

Our other assets decreased from RMB13.3 million as 31 December 2021 to RMB11.9 million as of 31 December 2022 mainly due to the decrease in prepaid tax, deferred and prepaid expenses and other receivables. The following table sets forth a breakdown of our other assets as of the dates indicated:

	As of 31 December	
	2022 RMB'000	2021 RMB'000
Reposessed assets	8,612	8,693
Prepaid tax	—	328
Deposit payments	3,000	2,600
Deferred and prepaid expenses	163	981
Other receivables	125	680
Total other assets	11,900	13,282

Income Tax Payable

Our income tax payable, which represents our current income tax liabilities, was RMB15.2 million and RMB12.4 million, respectively, as of 31 December 2021 and 2022.

Other Payables

Our other payables mainly include payrolls payable, value-added tax and surcharges payable, deposits and others. As of 31 December 2021 and 2022, our other payables were RMB14.7 million and RMB9.9 million, respectively. Such decrease was primarily due to the decrease in deposits of RMB4.8 million.

Financial Liabilities at Fair Value through Profit or Loss

The liabilities associated with transferred financial assets which were not derecognized were designated as at fair value through profit or loss since the transferred financial assets were measured on a fair value basis, in accordance with risk management and investment strategies of our Group.

As of 31 December 2022, we recorded RMB10.4 million of the liability associated with transferred financial assets regarding a transferred NPL investment that were derecognized. For more details, please refer to note 25 to the consolidated financial statements.

Management Discussion and Analysis (continued)

Indebtedness

Interest-bearing bank borrowings

The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 31 December	
	2022 RMB'000	2021 RMB'000
Guaranteed bank loans	30,000	98,063
Margin loans	8,919	7,988
Total	38,919	106,051

Lease Liabilities

Our lease liabilities decreased from RMB1.7 million as of 31 December 2021 to RMB1.2 million as of 31 December 2022 mainly because RMB0.9 million of the rental was paid in 2022.

Provision for a Contingent Liability

As of 31 December 2022, we recorded a provision for a liability of RMB13.1 million in relation to a litigation initiated in November 2020. Xiangyu Xinghong, as the plaintiff, claimed that the Company, as one of its shareholders, should fulfill its shareholder's obligation and pay the capital contribution and the interest with an aggregate amount of RMB12.9 million, represents 10% equity interest in the Xiangyu Xinghong. Such equity interest in the Xiangyu Xinghong was repossessed by the Company as a settlement of a non-performing loan with carrying amount of RMB12.7 million from a borrower. In November 2021, Xiamen Intermediate People's Court of Fujian Province (福建省廈門市中級人民法院) granted its judgment (the "**Judgement**") in favour of the Xiangyu Xinghong. The Company appealed to High People's Court of Fujian Province (福建省高級人民法院) ("**Fujian High Court**") regarding the Judgement in December 2021. In February 2023, Fujian High Court affirmed the Judgement issued by Xiamen Intermediate People's Court in Fujian Province. For more details, please refer to note 8 to the consolidated financial statements.

Contingent Liabilities

Save as disclosed in this annual report headed "Provision for a Contingent Liability", we had no significant contingent liabilities as of 31 December 2022.

Capital Expenditures

Our capital expenditures consist primarily of (i) the purchase of intangible assets; and (ii) the purchase of fixtures and office furniture and equipment. The following table sets forth our capital expenditures for the years indicated:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Capital expenditures — Micro-credit business	1,530	1,326
Total	1,530	1,326

Management Discussion and Analysis (continued)

Related Party Transactions

None of the related party transactions set out in note 30 to the consolidated financial statements constitutes connected transactions or continuing connected transactions which are subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commitment and Contractual Obligations

We did not have any capital commitment during the Reporting Period.

Key Financial Ratios

The table below sets out our key financial ratios as of the dates indicated:

	As of/For the year ended 31 December	
	2022	2021
Return on equity ⁽¹⁾	5.4%	3.8%
Return on assets ⁽²⁾	5.5%	4.5%
Gross loans to total assets ⁽³⁾	64.7%	76.3%
Gearing ratio ⁽⁴⁾	-10.2%	5.6%

Notes:

- (1) Return on equity is calculated by dividing net profit attributable to owners of the parent for the year by the balance of equity attributable to owners of the parent as of the indicated dates multiplied by 100%.
- (2) Return on assets is calculated by dividing net profit for the year by the balance of total assets as of the indicated dates multiplied by 100%.
- (3) Gross loans to total assets ratio equals the gross loans receivable amount as of the indicated dates divided by the total assets as of the same date and multiplied by 100%. Gross loans receivable represents our total loans receivable before the deduction of allowance for impairment.
- (4) Gearing ratio equals net debt as of the indicated date divided by the aggregate of our capital and net debt as of the same date multiplied by 100%.

Our return on equity reflecting our financial performance increased from 3.8% for the year ended 31 December 2021 to 5.4% for the year ended 31 December 2022 primarily due to the increase in profit as a result of the decrease in provision for loan impairment loss and provision for contingent liabilities in 2022. Our return on assets reflecting our profitability increased from 4.5% for the year ended 31 December 2021 to 5.5% for the year ended 31 December 2022 primarily due to the increase in profit as a result of the decrease in provision for loan impairment loss and provision for contingent liabilities in 2022. Our gross loans to total assets reflecting our high capital utilization ratio decreased from 76.3% as of 31 December 2021 to 64.7% as of 31 December 2022 primarily due to the decrease in gross loans. Our gearing ratios reflecting our financial leverage decreased from 5.6% as of 31 December 2021 to -10.2% as of 31 December 2022, mainly due to the increase in the amount of cash and cash equivalents.

Off-balance Sheet Arrangements

As of 31 December 2022, we did not have any off-balance sheet arrangements.

Foreign Currency Exposure

Our Group did not use any derivative financial instruments to hedge the risk of exchange rate changes since almost all of our revenue was from mainland China for the year ended 31 December 2022.

Management Discussion and Analysis (continued)

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no material investments (including any investment with a value of 5% or more of the Company's total assets), acquisitions or disposals for the year ended 31 December 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCES OF FUNDING

Other than bank loans we obtained from commercial banks, we also consider issuing bonds or conducting income rights transfer and repurchase financing or other investments plans or choices. Nevertheless, as of the date of this annual report, we do not have any firm intention or formulated any specific plan on material external financing in the short term.

Save as disclosed above, our Group had no future plans for material investments or external financing as of 31 December 2022.

CHARGE ON OUR GROUP'S ASSETS

As of 31 December 2022, we did not have any charges on our assets.

EMPLOYMENT AND EMOLUMENTS

As of 31 December 2022, our Group had 51 employees, all of whom were based in Fujian province. Our employees' remuneration has been paid in accordance with relevant laws and regulations in the PRC. Appropriate salaries and bonuses were paid with reference to the actual practices of the Company. Other corresponding benefits include pension, unemployment insurance and housing allowance.

PROSPECTS

Looking ahead to 2023, the global inflation is expected to slow down. The risk factors threatening global economic growth have been alleviated, and the pent-up demands of many economies have been released. This will help boost the economy, and the inflation level may also decline faster. The domestic macroeconomic policies will remain relaxed and promote the economy to further stabilize and recover. The optimization of pandemic prevention policies will improve the pandemic situation and accelerate the release of economic vitality. All positive factors will form a joint force to enable a continuous recovery of China's economy.

In this new year, our Group remains committed to developing steadily and healthily to forge ahead. It will continue to carry out informatization construction to improve informatization level and adhere to innovative development by continuously innovating and making progress in product development and business development. Meanwhile, our Group will further understand the market rules and regulations, improve various working systems, and maintain its core competitiveness. Employees are also encouraged to maintain a positive and enthusiastic attitude towards the work, and to be self-disciplined and persistent to make personal breakthroughs. Our Group will strive to seize the opportunity of economic recovery and boost its business to a higher level.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Wu Zhirui (吳智銳), aged 46, has been our executive Director and Chairman since 20 November 2012 and 18 January 2021, respectively. Mr. Wu was our non-executive Director between January 2010 and April 2010. He resigned in April 2010 and rejoined our Group on 1 January 2011 as a deputy general manager of the Company, responsible for participating in the day-to-day management of our business operations. He has been the general manager of the Company from 20 November 2012 to 18 January 2021. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Currently, Mr. Wu also serves as a legal representative of Quanzhou Huixinxing. Mr. Wu has approximately 20 years of experience in enterprise management. Prior to joining our Group, from September 2000 to March 2004, he worked as the branch representative of Zhengzhou branch of Xiahua Monitor System Co., Ltd.* (廈華顯示系統有限公司) (being principally engaged in selling colorful monitors), being a subsidiary of Xiamen Overseas Chinese Electronic Co., Ltd.* (廈門華僑電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600870) (being principally engaged in the development, production and manufacturing of the components of electronic devices and hardware fittings). He was responsible for marketing management during the relevant period. From July 2006 to December 2007, Mr. Wu worked as a strategy consultant at Guangzhou Zhenglue Junce Management Consultancy Company Limited* (廣州正略均策管理諮詢有限公司), which was principally engaged in management consultancy. He was responsible for providing strategic planning during the relevant period. From December 2007 to December 2010, he worked as the general manager of the operation and management department of Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) (“**Septwolves Group Holding**”) (a Company principally engaged in project investment and asset management business), where he was responsible for participating in project investment and branch management and control.

Mr. Wu graduated from Xiamen University (廈門大學), the PRC in July 2000 with a bachelor’s degree in management. He subsequently obtained a master’s degree in business administration from Xiamen University (廈門大學), the PRC in June 2006.

Mr. Zhou Yongwei (周永偉) (formerly known as Mr. Zhou Lianqi (周連期)), aged 60, has been our executive Director since 8 January 2010. He is primarily responsible for corporate strategic planning and overall business development and management of our Group. Mr. Zhou has approximately 35 years of experience in finance and investment, and has extensive experience in corporate management and business operations. Mr. Zhou joined our Group on 8 January 2010 as a Director. He served as our Chairman from 8 January 2010 to 18 January 2021. Mr. Zhou worked as a salesperson and deputy branch director in the Jinjing office, Jinjiang branch of the Bank of China from January 1981 to June 1987 and from July 1987 to May 1993, respectively. He was responsible for the daily business operation management during the relevant period. He has worked as a director of Fujian Septwolves Industry (formerly known as Fujian Septwolves Clothing Industry Company Limited* (福建七匹狼製衣實業有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002029) and principally engaged in the design, manufacturing, and sale of clothing products and clothing raw materials since May 1993. He was responsible for strategic planning and overall management during the relevant period. Mr. Zhou has been a director and chairman of Fujian Septwolves Group (a company principally engaged in project investment and asset management business) since January 1997 and October 2008, respectively. He was responsible for strategic planning and overall management during the relevant period. He worked as a director of Septwolves Group Holding (a company principally engaged in project investment and asset management business) since February 2000 and he is responsible for strategic planning but does not participate in its daily management. In addition, he has served as a director of various companies invested or controlled by Fujian Septwolves Group, including Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司) (formerly known as Jinjiang Financing Guarantee Co., Ltd.* (晉江融資擔保有限責任公司)).

Directors, Supervisors and Senior Management (continued)

Mr. Zhou obtained a bachelor's degree in economics and administration management from the Nanjing Institute of Politics, the PRC (南京政治學院) in December 2013. Mr. Zhou received the Bauhinia Cup Outstanding Entrepreneur Award from the Hong Kong Polytechnic University on 28 November 2013. Mr. Zhou was further recognized as the National Model Worker by the State Council in April 2010. He also served as a member of the People's Congress of Fujian Province* (福建省人民代表大會) for a term, from January 2013 to January 2018, and as a member of the Standing Committee of the People's Congress of Jinjiang City (晉江市人民代表大會) for a term, from December 2011 to December 2016. Mr. Zhou was elected vice president of the Federation of Industry and Commerce of Xiamen City* (廈門市工商業聯合會) for a term from December 2017 and vice chairman of Fujian Overseas Chinese Federation* (福建省僑聯) for a term from September 2017. He was elected as the first president of the Oversea Chinese Businessmen Federation of Quanzhou City* (泉州市僑商聯合會) in December 2012.

Mr. Yan Zhijiang (顏志江), aged 41, was appointed as executive Director, joint company secretary, and general manager on 11 November 2013, 3 September 2014, and 18 January 2021, respectively. He worked as the deputy general manager since 10 July 2014 and was subsequently appointed as the general manager of the Company on 18 January 2021. He is primarily responsible for formulating and implementing our corporate governance measures and risk management policy, implementing operational plans, and participating in the day-to-day management of our business operations. Mr. Yan has approximately 19 years of experience in legal affairs and risk management. Mr. Yan joined our Group on 11 November 2013 as an executive Director and had been the secretary of the Board. Prior to joining our Group, he worked as a legal executive of Xiamen Xintaiyang Import and Export Trading Company Limited* (廈門新泰陽進出口貿易有限公司) (a company principally engaged in import and export, trade and processing) from July 2003 to January 2005 and was responsible for corporate legal matters. From February 2005 to February 2006, he worked as a clerk of Dehua County People's Court* (德化縣人民法院), where he was responsible for assisting the judge and for record keeping. Mr. Yan was a trainee lawyer and a lawyer at Xiamen Jianchang Law Office* (廈門建昌律師事務所) from February 2006 to May 2008. From June 2008 to July 2010, Mr. Yan headed the legal department of Septwolves Group Holding and was responsible for corporate legal matters. From August 2010 and March 2014, he worked as the general manager of the risk management department of Septwolves Group Holding. He was responsible for corporate legal matters and risk management matters during the relevant period.

Mr. Yan received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in February 2006, and has been a qualified secretary of the Board as accredited by the Shanghai Stock Exchange since 9 August 2013. Mr. Yan obtained a bachelor's degree in law from Sun Yat-sen University, the PRC (中山大學) in July 2003.

Ms. Liu Aiqin (劉愛琴), aged 46, was re-designated as our executive Director on 25 August 2017 and appointed as the secretary to the Board on 2 July 2021. Prior to her re-designation as an executive Director, Ms. Liu was a non-executive Director. Ms. Liu currently serves as the head of our financial department and is primarily responsible for financial management and for providing strategic advice to the business and operations of our Group. From June 2015 to June 2017, she was the senior manager of the budget management department of Septwolves Group Holding. She was a financial manager of Xiamen Septwolves Venture Capital Co., Ltd.* (廈門七匹狼創業投資有限公司) from September 2011 to June 2015. Ms. Liu worked as a remuneration and project accountant at Xiamen Broadcast and Television Group* (廈門廣播電視集團) from July 2008 to August 2011. From July 2000 to September 2004, she was employed by Xiamen Jinyang Harness Industry Company Limited* (廈門金洋馬具工業有限公司), serving as a deputy general manager.

Ms. Liu obtained a bachelor's degree in philosophy from Xiamen University, the PRC (廈門大學) in July 1999 and a master's degree in management from Xiamen University, the PRC in July 2008. She obtained a certificate of intermediate level accountant qualification in August 2011.

Directors, Supervisors and Senior Management (continued)

Non-executive Directors

Mr. Jiang Haiying (蔣海鷹), aged 47, has been our non-executive Director since 12 June 2015. He is primarily responsible for providing strategic advice to the business and operation of our Group. Mr. Jiang has over 28 years of experience in enterprise management. Mr. Jiang worked as the business manager of Fujian Huian Haoda from 1994 to 1997. Since October 2003, Mr. Jiang has worked as the general manager of Quanzhou Haoxiang.

Mr. Jiang graduated from Otemon Gakuin University, Japan (日本大阪追手門學院大學) in 26 March 2003, majoring in international economics. Mr. Jiang has served as the vice president of the Young Entrepreneur Association of Quanzhou City* (泉州市青年企業家協會) and the Junior Chamber of Quanzhou City* (泉州市青年商會) since 2005. He also has been the vice president of the Stoning Trade Council of Huian County* (惠安縣石雕石材同業公會) since 2008. Since 2012, he has served as a member of the Standing Committee of Huian County* (惠安縣常委會) and the vice president of the Stone Association of Fujian Province* (福建省石材行業協會) Mr. Jiang serves as a member of the People's Congress of Quanzhou City (泉州市人民代表大會) and an executive member of the Federation of Industry and Commerce of Quanzhou City* (泉州市工商業聯合會) since January 2017.

Mr. Cai Rongjun (蔡鎔駿), aged 36, has been our non-executive Director since 12 June 2018. He is primarily responsible for providing strategic advice to the business and operation of our Group. From January 2017 until present, Mr. Cai has served as the general manager of Fujian Panpan Investment LLC (福建盼盼投資有限公司). Mr. Cai is also the general manager of Anhui Junan Real Estate Development LLC (安徽君安房地產開發有限公司) since September 2009. Mr. Cai worked as the general manager of Jinyuan Real Estate Development LLC (金源房地產發展有限公司) of Longyan City from September 2006 to September 2009.

From 2009 until present, Mr. Cai has served as the standing vice president of the Fujian Chamber of Commerce (福建商會) of Chuzhou City, Anhui Province. Mr. Cai is also a member of the Junior Chamber of Commerce (青商會) of Fujian Province since 2013. He served as a deputy of the 13th People's Congress of Anhui Province (安徽省第十三屆人大代表) in 2018.

Mr. Cai graduated from Jiangxi University of Technology (江西科技學院) in December 2016, majoring in business management.

Independent non-executive Directors

Mr. Zhang Lihe (張立賀), aged 46, has been our independent non-executive Director since 10 July 2014. He is primarily responsible for providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Group. Mr. Zhang joined our Group on 10 July 2014 as a Director. From December 1999 to May 2012, Mr. Zhang served as the project manager, senior manager, and partner of Xiamen Tianjian Huatian Accounting Firm* (廈門天健華天會計師事務所), Tianjian Huazheng Zhongzhou (Beijing) Accounting Firm (Xiamen Branch)* (天健華證中洲(北京)會計師事務所(廈門分所)), Tianjian Guanghua Accounting Firm (Xiamen Branch)* (天健光華會計師事務所(廈門分所)) and Tianjian Zhengxin Accounting Firm (Xiamen Branch)* (天健正信會計師事務所(廈門分所)), respectively. Mr. Zhang was a partner of Grant Thornton Accounting Firm (Xiamen Branch)* (致同會計師事務所(廈門分所)) from June 2012 to October 2019. He has been working as the partner of Rongcheng Accounting Firm* (容誠會計師事務所) (formerly known as Huapu Tianjian Accounting Firm* (華普天健會計師事務所)) from November 2019 until present.

Mr. Zhang is a certified public accountant in the PRC. Mr. Zhang obtained a master's degree in accounting from Xiamen University, the PRC (廈門大學) in December 2007.

Directors, Supervisors and Senior Management (continued)

Mr. Lin Jianguo (林建國), aged 71, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Lin served in the Chinese People's Liberation Army from January 1969 to December 1987. After his military service from February 1988 to October 2011, he worked in the Bank of China (中國銀行), successively as the vice president of Shishi Sub-branch, vice president of Jinjiang Sub-branch, president of Jinjiang Sub-branch, president of Shishi Sub-branch, vice president of Zhangzhou Branch, president of Fuqing Sub-branch and investigator of Quanzhou Branch.

Mr. Lin graduated from Northwestern Polytechnical University (西北工業大學) in November 1978, majoring in aerodynamics.

Mr. Sun Leland Li Hsun (孫立勳), aged 61, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Sun has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行) (stock code: 3618) since 2011. He is also an independent non-executive director and chairman of the audit committee of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) and a member of its remuneration committee since 2014. In 2001, Mr. Sun founded Pan Asian Mortgage Company Limited* (宏亞按揭證券有限公司) in Hong Kong, an innovative non-banking financial services company specializing in residential mortgage financing. In 1997, he was appointed chief operating officer of the Hong Kong Mortgage Corporation (香港按揭證券有限公司) by the Financial Secretary of Hong Kong SAR Government. Previously, he was a senior managing director of Bear Stearns Asia Limited (美國貝爾斯登亞洲有限公司), and an executive director of Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限公司).

Mr. Sun is a vice chairman of the Hong Kong General Chamber of Commerce (香港總商會), honorary treasurer of the Business and Professionals Federation of Hong Kong (BPF) (香港工商專業聯會), and a member of the Executive Committee of Servicemen's Guides Association* (軍人輔導會). Previously, Mr. Sun was the president of The American Club in Hong Kong (香港美國會) and a member of the Executive Committee (Treasurer) and board of governors of the American Chamber of Commerce in Hong Kong (香港美國商會).

Mr. Sun obtained his Master of Business Administration majoring in finance from the UCLA Anderson School of Management in June 1986 and was named as one of its 100 Most Inspirational Alumni in 2001. He is also a board member of the Fink Center for Finance & Investments since 2010.

SUPERVISORS

Mr. Wang Shijie (王世杰), aged 35, was reappointed as an employee representative Supervisor on 11 June 2021 and appointed as the chairperson of the Supervisory Committee on the same day. He served as an employee representative Supervisor from March 2016 to 22 August 2017. Mr. Wang joined the Company on 23 June 2014 as a deputy manager of the risk management department and was promoted to manager in March 2018. He was primarily responsible for our legal affairs and risk management. Prior to joining our Group, Mr. Wang worked as a legal executive of Liweisi (Fujian) Sports Products Limited* (李惟斯(福建)體育用品有限公司), from September 2013 to June 2014. He worked as a legal executive of Qibu (China) Company Limited* (起步(中國)有限公司) from September 2011 to August 2013.

Mr. Wang received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in August 2011. Mr. Wang obtained a bachelor's degree in law from Minnan Normal University, the PRC (閩南師範大學) (formerly known as Zhangzhou Normal College* (漳州師範學院)) in June 2011.

Directors, Supervisors and Senior Management (continued)

Ms. Ruan Cen (阮岑), aged 42, has been an employee representative Supervisor and Chairperson of the Supervisory Committee since 10 July 2014. Ms. Ruan joined our Group on 1 March 2010 as an administration manager of the Company. She is primarily responsible for administrative work and team building. Prior to joining our Group, she worked as a salesperson of Quanzhou Qinggong Gongyi Importing and Exporting (Group) Co., Ltd.* (泉州輕工工藝進出口(集團)公司) (a company principally engaged in exporting and importing goods and technology) from July 2004 to June 2006, when she was responsible for assisting in the business of the company. She worked as a salesperson of Quanzhou Qingyi Co., Ltd.* (泉州輕藝股份有限公司) (a company principally engaged in operating and acting as agent in the import and export of goods and technology) from July 2006 to February 2010, during which time she was responsible for assisting the company with its business operations.

Ms. Ruan obtained a bachelor's degree in international economics and trade from Huaqiao University, the PRC (華僑大學) in July 2004, and an intermediate economist qualification in January 2011.

Mr. Li Jiancheng (李建成), aged 35, has joined our Group as a Shareholder representative Supervisor since 4 February 2016. He resigned as a Shareholder representative Supervisor on 22 August 2017 and rejoined on 12 June 2018. Mr. Li has worked as an office secretary of Septwolves Group Holding since April 2012.

Mr. Li completed his four-year study in art design from Zhejiang University (浙江大學), the PRC in July 2011.

Mr. Chen Jinzhu (陳金助), aged 46, has been an independent Supervisor since 15 December 2015. From October 2000 to April 2002, Mr. Chen worked as a legal executive of Xiamen Xinhua Borui Productivity Development Company Limited* (廈門新華博瑞生產力發展有限公司). He worked as a trainee lawyer and lawyer in Fujian Jianchang Law Office* (福建建昌律師事務所) from May 2002 to October 2011. From November 2011 to January 2017, he worked as a lawyer of the Yingke (Xiamen) Law Firm* (北京盈科(廈門)律師事務所). Since January 2017, he has been a lawyer of Shanghai Co-effort (Xiamen) Law Firm* (上海協力(廈門)律師事務所). Mr. Chen received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in March 2001.

Mr. Chen obtained a bachelor's degree in law from Northwest University of Politics and Law, the PRC (西北政法大學) in July 2000.

Mr. Wu Lindi (吳麟弟), aged 45, has been an independent Supervisor since 15 December 2015. Mr. Wu worked as a marketing engineer in China Unicom Zhangzhou Branch* (中國聯通漳州分公司) from July 2001 to September 2003. From October 2005 to December 2009, he worked as the project investment director of Xiamen International Trade Corporation* (廈門國貿集團股份有限公司). He was the general manager assistant of Xiamen Chuangyi Venture Investment Company Limited* (廈門創翼創業投資有限公司) from December 2009 to September 2015. Since October 2015, he has served as the senior manager of New Times Securities Co., Ltd* (新時代證券股份有限公司).

Mr. Wu obtained the qualification of intermediate economist on 14 August 2009 and is a certified public accountant of the PRC since 20 December 2009. Mr. Wu graduated from Xiamen University, the PRC (廈門大學) in July 2001 with a bachelor's degree in management. He subsequently obtained a master's degree in business administration from Xiamen University, the PRC (廈門大學) in July 2006.

SENIOR MANAGEMENT

For biographical details of Mr. Wu Zhirui (吳智銳), Mr. Zhou Yongwei (周永偉), Mr. Yan Zhijiang (顏志江) and Ms. Liu Aiqin (劉愛琴), please refer to the sub-section headed "Executive Directors" above.

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements of our Group for the year ended 31 December 2022.

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

The Company was incorporated in the PRC on 8 January 2010. Its principal place of business in the PRC is at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC, and its registered office is at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC. Its principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

PRINCIPAL ACTIVITIES

We are primarily dedicated to providing local entrepreneurs, SMEs and microenterprises with practical and flexible short-term financing solutions to support their continued development and address their ongoing liquidity needs.

BUSINESS REVIEW

A review of our Group's business for the year ended 31 December 2022 and a discussion of our Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Certain financial key performance indicators are provided in the section of "Financial Summary" of this annual report.

Important events affecting our Group that have occurred since the end of the Reporting Period are mentioned in the sub-section headed "Event after the Reporting Period" of this Report of the Directors.

ENVIRONMENT, SOCIAL AND GOVERNANCE

Our Group strictly complies with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. Our Group is committed to incorporating the sustainable development principle into its corporate development strategies and daily operations and management, and to acting as a responsible corporate citizen. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company persists in maintaining good corporate governance and operating in compliance with relevant laws and regulations of the PRC, the rules and provisions of the Companies Ordinance, the Listing Rules and the SFO. For details, please refer to the sub-section headed "Compliance with Key Regulatory Requirements" set out in the section headed "Management Discussion and Analysis" of this annual report.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2022 are set out in note 1 to the financial statements of this annual report. Hong Kong Huixinhang Co., Limited, an indirect wholly-owned subsidiary of the Company, was dissolved on 9 September 2022. Ms. Hong Lijun (洪麗君) was the director of Hong Kong Huixinhang Co., Limited before the dissolution.

KEY RELATIONSHIPS

Our Group endeavors to develop sustainably in the long run and to continuously create value for our employees and customers. Our Group understands that employees are a most valuable asset and that the realization and enhancement of employees' interests will facilitate the achievement of our Group's overall goals. We offer a comprehensive benefits package and professional training programs to our employees. Our Group also understands the importance of maintaining good relationships with customers. We provide our customers with efficient and diversified financial solutions, including loans and finance leasing services, to meet their financial needs in this complex economic environment. Our Group also continuously improves the quality of customer service by conducting annual surveys on customers and employees and by reviewing our working practices. During the year ended 31 December 2022, we considered that we maintained a good relationship with our employees, and had no significant and substantial disputes with our customers.

KEY RISK FACTORS

The key risks and uncertainties facing our Group are set out below:

Risks relating to our business

The Company operates in a highly regulated industry that is subject to constantly evolving laws, regulations and policies. To comply with the changes in these laws, regulations and policies, the Company may thus be required to make significant changes to its operations from time to time. Any new developments in the laws, regulations and policies governing the microfinance industry, including developments at the national, provincial or local level, could change or replace the laws, regulations and policies that are currently applicable to the Company. If the Company does not respond to such changes in a timely manner or fails to fully comply with the applicable laws and regulations, its financial condition, results of operations and business prospects could be adversely affected.

The Company mainly relies on the creditworthiness of its customers and/or their guarantors, rather than on collateral, which may limit its ability to recover payments from defaulting customers. If a customer defaults on a credit loan, which is a loan that is neither secured by collateral nor backed by any guarantee, the Company's only option is to go after the customer for collection. However, a customer's ability to repay the loan may be limited by various factors, such as the profitability of the customer's business, the development of industries relating to his business, and the local economy of the regions where he conducts business. If a credit loan customer's ability to repay the loan is adversely affected by any of these factors and such customer's default continues, the Company may suffer losses. If a customer defaults on a guaranteed loan, the Company may demand the customer and the guarantors to repay the principal of the loan and any interest accrued. However, in the event that the Company is unable to locate the guarantor, or the guarantor no longer has sufficient or any financial resources to make full repayment on the customer's behalf, the Company's financial condition and results of operations may be materially and adversely affected.

The sustainability of the Company's business and future growth depends largely on its ability to effectively manage the credit risk of its loans and maintain a low impaired loan ratio. Any deterioration in its loan portfolio quality and increase in the impaired loan ratio could materially and adversely affect its results of operations. If the Company fails to effectively manage the credit risk of its loans and maintain a low impaired loan ratio, its business, financial condition and results of operations may be adversely affected.

Our Group's current operations in China are primarily in Quanzhou City. Any significant deterioration of the economy or business environment of Quanzhou City could materially and adversely affect the Group's financial conditions and results of operations.

Report of the Directors (continued)

Risks relating to employees and senior managements

Our Group may be exposed to fraud or other misconduct committed by its employees, customers or other third parties. Although our Group has established risk management and internal control systems to monitor its operations and overall compliance, our Group can give no assurance that it will be able to identify incidents of non-compliance or suspicious transactions in a timely manner, or at all. Moreover, it may be difficult to determine or prevent fraud or misconduct, such as money laundering activities, and the measures our Group takes to prevent and detect such activities may not be effective, which could lead it to suffer financial losses as well as reputational damage.

Our Group's inability to attract, retain or secure key management and qualified personnel for its operations could hinder its continuing growth and success. Competition for experienced management and other qualified personnel is intense among microfinance companies and financial services providers, and there can be no assurance that our Group will be able to continue attracting and retaining the qualified employees essential for its growth. Under such circumstances, if our Group is unable to recruit and retain replacement personnel with equivalent qualifications in a timely manner or at all, its growth and business prospects could be adversely affected.

Our Group's normal course of business is also exposed to a variety of key risks, including credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. Details of the aforesaid risks are set out in note 34 to the financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Interest income from our top five customers combined accounted for less than 30% of our total interest income for the year ended 31 December 2022.

During the year ended 31 December 2022, all of our top five customers were Independent Third Parties and none of our Directors, their close associates or our Shareholders holding more than 5% of the issued share capital of the Company had, to the knowledge of our Directors, any interest in any of our top five customers.

As a microfinance company, our Group does not have any major supplier.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of our Group for the latest five financial years is set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the financial statements.

FINANCIAL STATEMENTS

The profits of our Group for the year ended 31 December 2022 and the state of our Group's affairs as of the date are set out in the section headed "Financial Statements" of this annual report.

A discussion and analysis of our Group's performance during the year and material factors underlying its results and financial position are set out in the section of "Management Discussion and Analysis" of this annual report.

RESERVES

Details of movements in reserves of our Group during the year are set out in the section headed “Consolidated Statement of Changes in Equity” of this annual report, of which the details of reserves available for distribution to Shareholders are set out in note 28 to the financial statements of this annual report.

DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.05 per Share for the year ended 31 December 2022 (the “**Proposed Final Dividend**”) to Shareholders whose names appear on the Company’s register of members on Monday, 26 June 2023. Subject to the approval of the Shareholders at the Company’s forthcoming AGM to be held on Friday, 9 June 2023, the Proposed Final Dividend is expected to be paid on or around Tuesday, 15 August 2023.

DIVIDEND POLICY

Subject to the applicable laws, rules, regulations and the Articles and Association, the holders of both Domestic Shares and H Shares shall be entitled to the dividend distribution or any other forms of distribution.

The Company may distribute the dividend by way of cash or any other form to the Shareholders. Declaration of dividends is subject to the discretion of the Board, depending on the financial results, cash flows, financial conditions, development stages and capital needs in the current period. The proposed distribution plan will be submitted by the Board for the Shareholders’ consideration and approval at the general meeting by way of resolution. The distribution of dividend will be completed within 3 months upon approval by the Shareholders at the general meeting.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholder’s entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from Wednesday, 10 May 2023 to Friday, 9 June 2023, both days inclusive, during which period no Share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H Shares shall lodge transfer documents accompanied by the relevant share certificates with the Company’s H Share Registrar in Hong Kong at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, or to the Company’s headquarters in the PRC at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC (for holders of Domestic Shares), for registration no later than 4:30 p.m. on Tuesday, 9 May 2023.

The payment of the Proposed Final Dividend is subject to the approval of the Shareholders at the AGM. For the purpose of determining the entitlement to the Proposed Final Dividend, the H Share register of members of the Company will be closed from Monday, 19 June 2023 to Monday, 26 June 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of H Shares should ensure that all Share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar in Hong Kong at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, or to the Company’s headquarters in the PRC at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC, (for holders of Domestic Shares), for registration, no later than 4:30 p.m. on Friday, 16 June 2023.

Report of the Directors (continued)

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank and other borrowings as of 31 December 2022 are set out in note 24 to the financial statements of this annual report.

SHARE CAPITAL

There was no change in share capital of the Company during the year. Details of movements in the share capital of our Group during the year are set out in the section headed “Consolidated Statement of Changes in Equity” of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as of the date of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

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

Our Group has not purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS AND SUPERVISORS

The following table sets forth information concerning the Directors and Supervisors for the year ended 31 December 2022 and up to the date of this report:

Directors

Name	Age	Position	Appointment Date
Mr. Wu Zhirui (吳智銳)	46	Chairman and executive Director	20 November 2012 (appointed as the Chairman on 18 January 2021)
Mr. Zhou Yongwei (周永偉)	60	Executive Director	8 January 2010
Mr. Yan Zhijiang (顏志江)	41	Executive Director	11 November 2013
Ms. Liu Aiqin (劉愛琴)	46	Executive Director	25 August 2017
Mr. Jiang Haiying (蔣海鷹)	47	Non-executive Director	12 June 2015
Mr. Cai Rongjun (蔡鎔駿)	36	Non-executive Director	12 June 2018
Mr. Zhang Lihe (張立賀)	46	Independent Non-executive Director	10 July 2014
Mr. Lin Jianguo (林建國)	71	Independent Non-executive Director	12 June 2017
Mr. Sun Leland Li Hsun (孫立勳)	61	Independent Non-executive Director	12 June 2017

Supervisors

Name	Age	Position	Appointment Date
Mr. Wang Shijie (王世杰)	35	Chairman of the Supervisory Committee and employee representative Supervisor	16 March 2016 (resigned on 22 August 2017 due to the change in the number of Supervisors for the Supervisory Committee under the Articles of Association and re-appointed as employee representative Supervisor and Chairman of the Supervisory Committee on 11 June 2021)
Ms. Ruan Cen (阮岑)	42	Employee representative Supervisor	10 July 2014
Mr. Chen Jinzhu (陳金助)	46	Independent Supervisor	15 December 2015
Mr. Wu Lindi (吳麟弟)	45	Independent Supervisor	15 December 2015
Mr. Li Jiancheng (李建成)	35	Shareholder representative Supervisor	4 February 2016 (resigned on 22 August 2017 due to the change in the number of Supervisors for the Supervisory Committee under the Articles of Association and re-appointed on 12 June 2018)

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

Report of the Directors (continued)

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company and each service contract is for a term of three years. Save as disclosed above, our Group has not entered, and does not intend to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors which is not terminable by the employer within one year without payment of compensation other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors’ and officers’ liability insurance and the permitted indemnity provision defined in section 469 of the Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout the year.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors and Supervisors and senior management of the Company (being the four executive Directors) are set out in note 11 to the Financial Statements of this annual report.

The remuneration to Directors is subject to the Shareholders’ approval at the general meeting. The emoluments payable to the Directors and senior management, and their respective contractual terms under their employment contracts or service contracts, are determined by the Board with recommendations of the remunerations from the remuneration committee of the Company (the “**Remuneration Committee**”), having regard to their performance, the Group’s operating results, and comparable market statistics. No Directors or any of their respective close associates was involved in deciding their own remuneration.

For the year ended 31 December 2022, no Director, Supervisor or senior management of the Company has waived or agreed to waive any emoluments.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or were in existence during the year ended 31 December 2022.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As of 31 December 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name	Position	Nature of interest	Number of Shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Mr. Zhou Yongwei	Executive Director	Interest in controlled corporation ⁽⁴⁾	203,932,000 Domestic Shares (L)	40.79%	29.99%
Mr. Jiang Haiying	Non-executive Director	Interest in controlled corporation ⁽⁵⁾	50,000,000 Domestic Shares (L)	10.00%	7.35%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in Domestic Shares as of 31 December 2022.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue, which comprised 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2022.
- (4) Fujian Septwolves Group is directly interested in approximately 40.79% of the issued Domestic Shares of the Company. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group, which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is therefore deemed to be interested in the Company by virtue of the SFO.
- (5) Quanzhou Haoxiang is directly interested in approximately 10% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening (a company owned as to 63.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 December 2022, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors (continued)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of 31 December 2022, the persons (other than a Director, Supervisor or the chief executive of the Company) or corporations with an interest or short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, were the following:

Shareholders	Nature of interest	Number of shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Fujian Septwolves Group	Beneficial owner	203,932,000 Domestic Shares (L)	40.79%	29.99%
Xiamen Shunyingtong	Beneficial owner	67,932,000 Domestic Shares (L)	13.59%	9.99%
Xiamen Jiayucheng ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Xiamen Yulang Gongwu ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Mr. Tsai Hiu Chuk ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Ms. Wu Di ⁽⁴⁾	Interest in controlled corporation	67,932,000 Domestic Shares (L)	13.59%	9.99%
Quanzhou Yuanpeng	Beneficial owner	57,248,000 Domestic Shares (L)	11.45%	8.42%
Wealth Success ⁽⁵⁾	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Ms. Hong Jingxiao ⁽⁵⁾	Interest in controlled corporation	57,248,000 Domestic Shares (L)	11.45%	8.42%
Fujian Panpan	Beneficial owner	54,458,000 Domestic Shares (L)	10.89%	8.01%
Mr. Cai Jinan ⁽⁶⁾	Interest in controlled corporation	54,458,000 Domestic Shares (L)	10.89%	8.01%
Quanzhou Haoxiang	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%

Report of the Directors (continued)

Shareholders	Nature of interest	Number of shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Fujian Haoxiang Gardening ⁽⁷⁾	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Ms. Hong Erguan	Beneficial owner	31,336,000 H Shares (L)	17.41%	4.61%
Mr. Cai Jianchu	Beneficial owner	30,954,000 H Shares (L)	17.20%	4.55%
Mr. Wu Weiqi ⁽⁶⁾	Interest in controlled corporation	22,200,000 H Shares (L)		
	Beneficial owner	8,516,000 H Shares (L)		
		----- 30,716,000 H Shares (L)	17.06%	4.52%
Good Rising Investments Limited	Beneficial owner	29,444,361 H Shares (L)	16.36%	4.33%
Pleasant Advent Limited ⁽⁹⁾	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Ms. Wong Sze Ying Chloe ⁽⁹⁾	Interest in controlled corporation	29,444,361 H Shares (L)	16.36%	4.33%
Yue Tai Investment Limited	Beneficial owner	22,200,000 H Shares (L)	12.33%	3.26%
Ms. Cheng Chau Yuet ⁽¹⁰⁾	Beneficial owner	330,000 H Shares (L)		
	Interest of spouse	21,782,000 H Shares (L)		
		----- 22,112,000 H Shares (L)	12.28%	3.25%

Report of the Directors (continued)

Shareholders	Nature of interest	Number of shares ⁽¹⁾	Percentage in the relevant class of share capital ⁽²⁾	Percentage in the total issued share capital ⁽³⁾
Mr. Chong Ming Ting ⁽¹¹⁾	Interest in controlled corporation	21,662,000 H Shares (L)		
	Beneficial owner	120,000 H Shares (L)		
	Interest of spouse	330,000 H Shares (L)		
		22,112,000 H Shares (L)	12.28%	3.25%
Grand Wealth (HK) Investment Limited	Beneficial owner	21,662,000 H Shares (L)	12.03%	3.19%
Mr. Zeng Huanrong ⁽¹²⁾	Interest in controlled corporation	12,671,639 H Shares (L)	7.04%	1.86%
Glory Asiapac Holdings Limited ⁽¹²⁾	Interest in controlled corporation	12,671,639 H Shares (L)	7.04%	1.86%
Cheer Spread Enterprise Limited ⁽¹²⁾	Beneficial owner	12,671,639 H Shares (L)	7.04%	1.86%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or the H Shares (as the case may be).
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares or H Shares (as the case may be) as of 31 December 2022.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue, which comprised 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2022.
- (4) The disclosed interest represents the interest in the Company held by Xiamen Shunyingtong, which is in turn approximately 50% owned by Xiamen Jiayucheng, a company wholly owned by Ms. Wu Di and approximately 50% owned Xiamen Yulang Gongwu, which is wholly owned by Hoi Pok (Hong Kong) Trading Company (海博(香港)貿易公司), a company wholly owned by Mr. Tsai Hiu Chuk. Therefore, Xiamen Jiayucheng, Xiamen Yulang Gongwu, Ms. Wu Di and Mr. Tsai Hiu Chuk are deemed to be interested in Xiamen Shunyingtong's interest in the Company by virtue of the SFO.
- (5) The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng, which is wholly owned by Wealth Success, a company 100% owned by Ms. Hong Jingxiao. Therefore, both Wealth Success and Ms. Hong Jingxiao are deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.
- (6) The disclosed interest represents the interest in the Company held by Fujian Panpan, which is in turn approximately 80% owned by Mr. Cai Jinan. Therefore, Mr. Cai Jinan is deemed to be interested in Fujian Panpan's interest in the Company by virtue of the SFO.

Report of the Directors (continued)

- (7) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang, which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening (a company owned as to 63.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda. Therefore, Fujian Haoxiang Gardening is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.
- (8) The disclosed interest represents the interest in the Company held by Yue Tai Investment Limited, which is wholly owned by Mr. Wu Weiqi. Therefore, Mr. Wu Weiqi is deemed to be interested in Yue Tai Investment Limited's interest in the Company by virtue of the SFO.
- (9) The disclosed interest represents the interest in the Company held by Good Rising Investments Limited, which is wholly owned by Pleasant Advent Limited, a company 100% owned by Ms. Wong Sze Ying Chloe. Therefore, Pleasant Advent Limited and Ms. Wong Sze Ying Chloe are each deemed to be interested in Good Rising Investments Limited's interest in the Company by virtue of the SFO.
- (10) Ms. Cheng Chau Yuet is deemed to be interested in the 21,782,000 H Shares held by her spouse Mr. Chong Ming Ting by virtue of the SFO.
- (11) The disclosed interest represents the interest in the Company held by Grand Wealth (HK) Investment Limited, a company 100% owned by Mr. Chong Ming Ting. Therefore, Mr. Chong Ming Ting is deemed to be interested in Grand Wealth (HK) Investment Limited's interest in the Company by virtue of the SFO. In addition, Mr. Chong Ming Ting is deemed to be interested in the 330,000 H Shares held by his spouse Ms. Cheng Chau Yuet by virtue of the SFO.
- (12) The disclosed interest represents the interest in the Company held by Cheer Spread Enterprise Limited, which is wholly owned by Glory Asiapac Holdings Limited, a company 100% owned by Mr. Zeng Huanrong. Therefore, each of Glory Asiapac Holdings Limited and Mr. Zeng Huanrong is deemed to be interested in Cheer Spread Enterprise Limited's interest in the Company by virtue of the SFO.

Save as disclosed above, as of 31 December 2022, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND SUPERVISOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sub-section headed "Connected Transaction" in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or Supervisor or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly subsisted as of 31 December 2022 or at any time during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sub-section headed "Connected Transaction" in this report, there had been no contract of significance between the Company and a controlling Shareholder (as defined in the Listing Rules) of the Company during the year ended 31 December 2022.

COMPETING BUSINESS

None of the Directors and their close associates had any interest in any competing business with our Group during the year.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of our Substantial Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings given by them to the Company during the year ended 31 December 2022. Pursuant to the non-competition agreement, the Substantial Shareholders, their subsidiaries (other than the Company), and their close associates agreed not to compete, either directly or indirectly, with the principal business of the Company. Shall they engage in any business that competes with the Company, they further agreed to grant the Company the option to seize new opportunities, as well as the option for acquisitions and pre-emptive rights.

Further, the Substantial Shareholders have irrevocably undertaken in the non-competition agreement that, during the term of the non-competition agreement, they will not, and will also procure their subsidiaries (other than the Company) and their close associates not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business (other than the Finance Businesses) that competes, or is likely to compete, directly or indirectly, with the principal business of the Company. The foregoing restrictions are subject to the Company's right to waive certain new business opportunities pursuant to the terms and conditions under the non-competition agreement.

The foregoing restrictions do not apply to (1) the Finance Businesses; (2) the purchase by Fujian Septwolves Group, its subsidiaries or close associates for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (3) the holding by Fujian Septwolves Group, its subsidiaries or close associates of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as "**Investment Companies**" for scenarios (2) and (3)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which Fujian Septwolves Group, its subsidiaries or close associates are able to control their respective board of directors, notwithstanding that not more than 10% of the equity interests of such Investment Companies are being held by Fujian Septwolves Group, its subsidiaries or close associates. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of the Substantial Shareholders during the Reporting Period.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or Supervisors or their respective spouses or minor children, nor were such rights exercised by them. At no time during the year was the Company or any its subsidiaries a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

CONTINUING DISCLOSURE REQUIREMENTS UNDER THE LISTING RULES

As of 31 December 2022, the Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.12 to 13.19 of the Listing Rules.

PENSION SCHEME

Our Group participates in pension scheme organized by the government of Fujian Province for our Group's employees based in the PRC. Contributions to this pension plan are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. Our Group has no obligation for the payment of pension benefits beyond the contributions described above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2022, the Company complied with all code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules.

Principal corporate governance practices adopted by the Company are set out in the section headed “Corporate Governance Report” of this annual report.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2022, the Company initiated 7 new legal proceedings to recover overdue payments from its customers.

We, as one of the defendants, recorded a civil litigation in November 2020. The plaintiff (the “**Plaintiff**”) claimed that the Company, as one of its shareholders, should fulfill its shareholders obligation and pay the capital contribution and the interest with an aggregate amount of RMB12.9 million, represents 10% equity interest in the Plaintiff (the “**Claim**”). Such equity interest in the Plaintiff was repossessed by the Company as a settlement of a non-performing loan with carrying amount of RMB12.7 million from a borrower. In November 2021, Xiamen Intermediate People's Court in Fujian Province (福建省廈門市中級人民法院) granted its judgment (the “**Judgement**”) in favour of the Plaintiff. The Company appealed to the High People's Court of Fujian Province (福建省高級人民法院) regarding the Judgement in December 2021. In February 2023, High People's Court of Fujian Province affirmed the Judgement issued by Xiamen Intermediate People's court in Fujian Province in November 2021 (the “**Final Judgement**”). For more details, please refer to the sub-section headed “Provision for a Contingent Liability” set out in the section headed “Management Discussion and Analysis” and note 8 to the consolidated financial statements of this annual report. The Directors are of the view that the Final Judgement would not have any material adverse effect on our business, financial position or results of operations.

Report of the Directors (continued)

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in note 38 to the financial statements of this annual report, the Board is not aware of any events after the Reporting Period.

CONNECTED TRANSACTION

During the year ended 31 December 2022, there was no connected transaction of the Company that required reporting, annual reviews, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. Related party transactions as disclosed in note 30 to the financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement, independent shareholders' approval or annual review requirements under the Listing Rules.

DONATION

No charitable and other donations were made by our Group during the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with the management and external auditors, Ernst & Young, the accounting principles and practices adopted by our Group, auditing, risk management and internal control systems and the audited financial report matters, including the review of our Group's annual results for the year ended 31 December 2022.

AUDITOR

The financial statements for the year ended 31 December 2022 have been audited by Ernst & Young, who shall retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as an auditor of the Company is to be proposed at the AGM.

By order of the Board

Wu Zhirui

Chairman and executive Director

29 March 2023

Report of the Supervisory Committee

The Supervisory Committee consists of five Supervisors, comprising one Shareholder representative, namely Mr. Li Jiancheng; two employee representatives, namely Mr. Wang Shijie (Chairman of the Supervisory Committee) and Ms. Ruan Cen; and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi.

ELECTION AND SERVICE CONTRACTS

Except for the employee representative Supervisors elected by our employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment at general meeting. Each of the Supervisors has entered into a service contract with the Company for the year ended 31 December 2022.

MEETING CONDUCTED BY SUPERVISORY COMMITTEE

The Supervisory Committee convened 2 meetings for the year ended 31 December 2022. Such meetings were held in compliance with the requirements of relevant regulations and the Articles of Association.

WORK OF THE SUPERVISORY COMMITTEE

During the year ended 31 December 2022, for our Group's long term interests and Shareholders' interests, the Supervisory Committee acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules, and earnestly performed its duties of supervision as to the following acts of the Directors and senior management of the Company:

Financial information of our Group

The Supervisory Committee has verified our Group's 2022 financial statements, supervised and inspected our Group's implementation of relevant financial policies and legislations, as well as the details of our Group's assets, financial income and expenditure. It is of the opinion that the financial report for 2022 fairly reflects our Group's financial position and operating results.

Operation and internal control of our Group

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of our Group's operation and management in its ordinary work.

The Supervisory Committee is of the opinion that our Group's operation and internal control are sound and rational, and that our Group is in compliance with all applicable laws, regulations and rules and the Articles of Association, having thus effectively controlled its exposure to various operating risks.

Report of the Supervisory Committee (continued)

Performance and violations of the Directors and other senior management members

The Supervisory Committee exercised supervision over work performance of the Board and senior management of the Company.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company have conscientiously and diligently performed their duties in compliance with the resolutions of the general meetings, and that none of their acts would prejudice the interests of our Group or the Shareholders. No violation of any laws or regulations or Articles of Association or any act adverse to the interests of our Group or the Shareholders has been found in the performance of the Directors and senior management of the Company during the year.

Looking forward, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and will protect the interests of the Shareholders.

Wang Shijie

Chairman of the Supervisory Committee

29 March 2023

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the “**Code Provisions**”) of the Corporate Governance Code set out in Appendix 14 to the Listing Rules and has reviewed the Company’s corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) (each a “**Board Committee**” and collectively the “**Board Committees**”), to oversee different areas of the Company’s affairs.

As of 31 December 2022, the Board comprised four executive Directors, namely Mr. Wu Zhirui, Mr. Zhou Yongwei, Mr. Yan Zhijiang and Ms. Liu Aiqin, two non-executive Directors, namely, Mr. Jiang Haiying and Mr. Cai Rongjun, and three independent non-executive Directors, namely, Mr. Zhang Lihe, Mr. Lin Jianguo and Mr. Sun Leland Li Hsun.

Their biographical details are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors is available on the websites of the Stock Exchange and the Company.

There is no financial, business, family or other material or relevant relationships among members of the Board, Supervisors and members of the senior management of the Company.

To support the Board’s performance of its duties, the Company has (i) enabled the Board, including the Board Committees, to assess all internal resources of the Company, as well as any external resources such as auditors and legal advisers; (ii) arranged the meeting of the audit committee with the external auditors; and (iii) arranged the meeting of the chairman of the Board with the independent non-executive Directors. The management of the Company and any independent professionals will attend Board meetings and will answer to the Board as and when it so requires. The Board is of the view that such arrangements and support from the Company are adequate and sufficient.

DUTIES OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The functions and duties of the Board include but are not limited to: convening Shareholders’ general meetings and reporting the Board’s work at the Shareholders’ general meetings; implementing the resolutions passed at the Shareholders’ general meetings; determining our business and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital and for the issue of bonds; preparing plans for merger, division or dissolution of the Company; hiring or dismissing the general manager, the secretary of the Board, the vice general manager and other senior management, and deciding their remuneration; preparing the plan to amend the Articles of Association and exercising other power, functions and duties as conferred by the Articles of Association.

Corporate Governance Report (continued)

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of our Group, and for the training and continuous professional development of the Directors and senior management of the Company. The Board also reviews the disclosures in the Company's Corporate Governance Report to ensure compliance.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at our Group's expense upon their request.

The major duties of the senior management are formulating and implementing our corporate governance measures, risk management, financial management and business management policy and supervising and participating in the daily operations of the Company.

Upon their first appointment, all Directors are required to declare to the Board the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

During the year, the Board held 4 meetings to develop, review and monitor the policies and practices on corporate governance, and legal and regulatory compliance of the Company. The senior management supervised the daily operations of the Company, identified and reported the potential risks to the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of our Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of our Group and that he is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

The Company provided the updates of the Listing Rules in relation to the corporate governance under Appendix 14 of the Listing Rules to ensure compliance and enhance Directors' awareness of good corporate governance practices in December 2022.

All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2022.

Corporate Governance Report (continued)

A summary of training received by the Directors for the year ended 31 December 2022 is as follows:

Name of Directors	Types of Training
Executive Directors	
Wu Zhirui	A
Zhou Yongwei	A
Yan Zhijiang	A, B
Liu Aiqin	A
Non-executive Directors	
Jiang Haiying	A
Cai Rongjun	A
Independent non-executive Directors	
Zhang Lihe	A
Lin Jianguo	A
Sun Leland Li Hsun	A

Notes:

A: Reading materials

B: Attending seminars and/or conferences and/or fora

CHAIRMAN AND EXECUTIVE OFFICER

Mr. Wu Zhirui is the Chairman responsible for planning our Group's strategies, developing the overall business and managing our Group, providing leadership for the Board, and ensuring that the Board works effectively and acts in the best interest of our Group and all Shareholders. The Chairman is also responsible for ensuring good corporate governance practices.

As the general manager of the Company, Mr. Yan Zhijiang is in charge of formulating and implementing our corporate strategies, overseeing our overall business development, implementing operation plans and participating in the day-to-day management.

DIRECTORS' INSURANCE

Our Group has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balance for the Company to protect the overall interests of the Shareholders and the Company. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent under these independence criteria and are capable of effectively exercising independent judgement.

BOARD COMMITTEES

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The Company has established a comprehensive mechanism to ensure that the Board is provided with independent views and opinions, as well as checks and balances to facilitate the steady development of the Company. The relevant mechanisms are set out in the Rules of Independent Non-Executive Directors of the Company, and are also embodied in the governance structure. The Board reviews the implementation and effectiveness of the mechanism annually.

Audit Committee

The Audit Committee consists of three members, namely Mr. Zhang Lihe (independent non-executive Director), Mr. Lin Jianguo (independent non-executive Director) and Mr. Cai Rongjun (non-executive Director). Mr. Zhang Lihe currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review financial information and supervise our financial reporting process, risk management and internal control systems, nominate and monitor external auditors, and provide advice and comments to the Board.

The Audit Committee held 2 meetings during the year ended 31 December 2022. The Audit Committee has: (i) reviewed the financial statements and results of the Company for the year ended 31 December 2021 and the interim financial statements and results of the Company for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Company, the report prepared by the external auditor covering major findings in the course of the audit; and (ii) reviewed the policies and practices on corporate governance and the effectiveness of the Audit Committee, selection and appointment of the external auditors and the Company's risk management and internal control procedures and systems.

Corporate Governance Report (continued)

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Lin Jianguo (independent non-executive Director), Mr. Sun Leland Li Hsun (independent non-executive Director) and Mr. Wu Zhirui (executive Director). Mr. Lin Jianguo currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to evaluate the performance of our senior management, executive Directors and non-executive Directors and make recommendations on their remuneration to members of the Board, review and approve compensation payable to executive Directors and management for any loss or termination of office, and compensation arrangements relating to dismissal or removal of the Directors for misconduct, and also review and approve the matters relating to the share schemes under the Listing Rules.

The major objective of our remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to review and determine the level of remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, the Remuneration Committee will make reference to, among other things, the level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors, Supervisors and senior management, and the performance of our Group. No Director takes part in any discussion on his/her own remuneration.

The Remuneration Committee held 1 meeting during the year ended 31 December 2022. The Remuneration Committee has reviewed: (i) the remuneration policy and structure relating to the Directors, Supervisors and senior management of the Company; (ii) the terms of reference of the Remuneration Committee; and (iii) the effectiveness of the Remuneration Committee.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Zhou Yongwei (executive Director), Mr. Sun Leland Li Hsun (independent non-executive Director) and Mr. Zhang Lihe (independent non-executive Director). Mr. Zhang Lihe currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to assess the independence of independent non-executive Directors, make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management, and advise the Board on the appointment or re-appointment of Directors.

The Nomination Committee held 1 meeting during the year ended 31 December 2022. The Nomination Committee has: (i) reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors; and (ii) reviewed the effectiveness of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code Provision A.2.1 of the CG Code.

During the Reporting Period, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

Corporate Governance Report (continued)

ATTENDANCE RECORD OF DIRECTORS AND SUPERVISORS

The attendance record of each of (i) the Directors at the meetings of the Board and Board Committee; and (ii) the Supervisors at the meeting of Supervisory Committee held during the year ended 31 December 2022 is set out in the table below. The Directors did not authorise any alternate Director to attend Board or Board Committee meetings.

Name of Directors	Attendance/Number of Meetings			Audit Committee
	Board	Nomination Committee	Remuneration Committee	
Mr. Wu Zhirui (<i>Chairman</i>)	4/4	N/A	1/1	N/A
Mr. Zhou Yongwei	4/4	1/1	N/A	N/A
Mr. Yan Zhijiang	4/4	N/A	N/A	N/A
Ms. Liu Aiqin	4/4	N/A	N/A	N/A
Mr. Jiang Haiying	4/4	N/A	N/A	N/A
Mr. Cai Rongjun	4/4	N/A	N/A	2/2
Mr. Zhang Lihe	4/4	1/1	N/A	2/2
Mr. Lin Jianguo	4/4	N/A	1/1	2/2
Mr. Sun Leland Li Hsun	4/4	1/1	1/1	N/A

Name of Supervisors	Attendance/Number of Meetings
Mr. Wang Shijie (<i>Chairman</i>)	2/2
Ms. Ruan Cen	2/2
Mr. Li Jiancheng	2/2
Mr. Chen Jinzhu	2/2
Mr. Wu Lindi	2/2

BOARD PROCEEDINGS

Pursuant to the Articles of Association, the Board is required to hold at least two Board meetings each year, to be convened and hosted by the Chairman. In compliance with Code Provision C.5.3 of CG Code, a notice of at least 14 days shall be dispatched for a regular Board meeting. The notice shall state the time and venue at which the Board meeting will be convened.

The quorum for a Board meeting is the presence of more than half of the total number of Directors. A Director may attend the Board meeting in person, or appoint in writing another Director as his proxy. The secretary of the Board of the Company is responsible for preparing and keeping the documents and records of Board meetings.

During the year ended 31 December 2022, there were 4 Board meetings held and all Directors attended the meetings that they were required to attend.

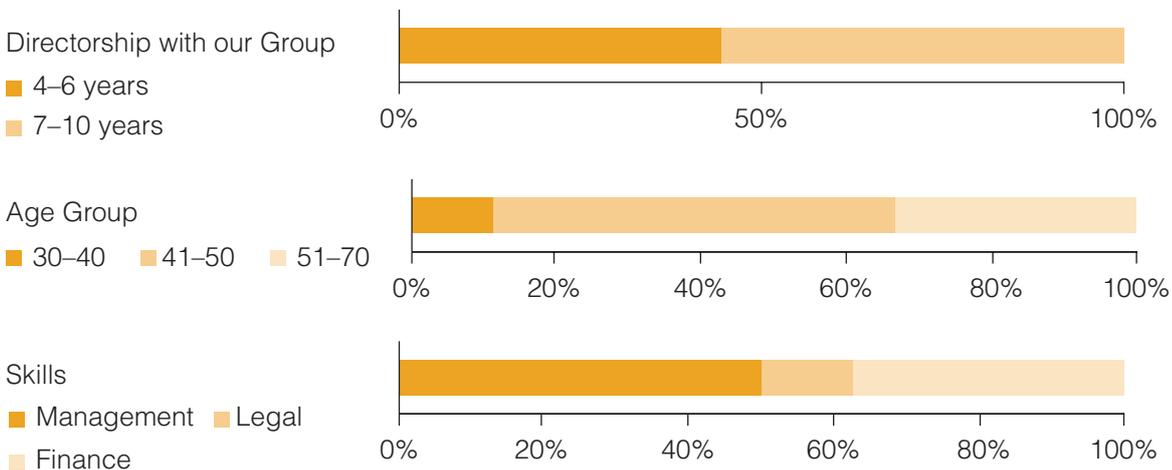
GENERAL MEETINGS

During the year ended 31 December 2022, the Company convened one general meeting held on 10 June 2022. All Directors attended the meetings.

BOARD DIVERSITY

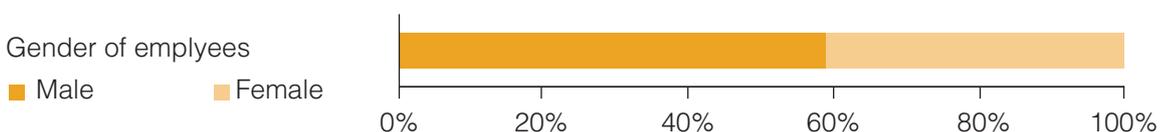
The Board adopted a board diversity policy (the “**Board Diversity Policy**”) on 6 September 2016, in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to outline the Company’s approach to achieving diversity of the Board. Pursuant to the Board Diversity Policy, all Board appointments shall be based on meritocracy, and candidates shall be assessed against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and relationship with other Board members and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates could bring to the Board.

Currently, one of the nine Directors of the Board is female, and the Board considers that it has met the gender diversity and targets maintain at least the current level of female representation. The Board and the Nomination Committee monitor the implementation of the policy from time to time, and review the policy to ensure its effectiveness. The Company will continue to maintain a balance of diverse perspectives on the Board and promote the Board member diversity when identifying suitable candidates in the future so as to ensure the Board has both male and female potential successors that is appropriate for and conducive to the Company’s growth.



EMPLOYEE DIVERSITY

As of 31 December 2022, the Group had 51 employees, including senior management, of which 21 (41.18%) are female and 30 (58.82%) are male. The Group has built a gender equal workplace by providing training and promotion opportunities, enabling access to resources and offering rewards to all employees equally.



Corporate Governance Report (continued)

SUPERVISORY COMMITTEE

The Supervisory Committee consists of five Supervisors, comprising one Shareholder representative, namely Mr. Li Jiancheng; two employee representatives, namely Mr. Wang Shijie (the chairman of the Supervisory Committee) and Ms. Ruan Cen; and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi. Except for the employee representative Supervisors elected by our employees, the Supervisors were elected by our Shareholders for a term of three years, a term renewable upon re-election and re-appointment.

The functions and duties of the Supervisory Committee include, but are not limited to: reviewing and verifying financial reports, business reports, and profit distribution proposals prepared by the Board; if in doubt, appointing certified public accountants and practicing auditors to re-examine our Group's financial information; monitoring the financial activities of our Group, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they violated the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to our Group's interests; and exercising other rights given to them under the Articles of Association.

NOMINATION POLICY

In order to nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election at general meetings, the secretary of the Nomination Committee shall convene a meeting with the list and information of the candidates. To propose candidates for election at a general meeting, a circular containing the names, brief biographies, independence, proposed remuneration, and any other required information pursuant to the applicable laws and regulations, will be sent to the Shareholders. Other than the nomination recommended by the Board for election, the Shareholders can serve a notice in writing of the intention to recommend a certain person for election as a Director. The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election at any general meeting.

The Nomination Committee has the discretion to nominate any person it considers appropriate for election and to assess the suitability of a proposed candidate using the below criteria as reference:

- Reputation;
- Qualification, accomplishment and experience in financial services industry;
- Commitment in performing the duties as a Director and as a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contribution brought to the Board.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years. Directors and Supervisors shall be elected by our Shareholders at the Shareholders' general meeting on a three-year term.

Save as disclosed above, the Company has not entered, and does not intend to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

UPDATES ON DIRECTORS' AND SUPERVISORS INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in information of the Directors and Supervisors since the Company's last published interim report up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for carrying out securities transactions of the Company by the Directors and Supervisors. After specific enquiry, all Directors and Supervisors have confirmed full compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

JOINT COMPANY SECRETARIES

Mr. Yan Zhijiang, an executive Director, is one of the joint company secretaries. Ms. Ng Ka Man, a manager of the Listing Department of TMF Hong Kong Limited, the external service provider, is our joint company secretary. Mr. Yan Zhijiang is her primary contact person of the Company. Both Mr. Yan and Ms. Ng, as the joint company secretaries, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

RESPONSIBILITIES OF FINANCIAL REPORTING

The Board acknowledges its responsibility to prepare our Group's financial statements, which give a true and fair view of our Group's state of affairs, results and cash flows for the year, in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance. Our Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions that may affect the business of our Group or cast doubts on its ability to continuing operation.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" of this annual report.

EXTERNAL AUDITOR

Ernst & Young has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of the audit and non-audit services performed by Ernst & Young and has considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2022, our Group paid Ernst & Young and its member firms a total fee of RMB1,500,000 (tax inclusive) for audit services and RMB50,000 (tax inclusive) for non-audit service. Our Group's non-audit service fee was environmental, social and governance (the "ESG") report related service fee.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

COMMUNICATION WITH SHAREHOLDERS

Through its corporate governance structure, the Company aims to provide all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. The Company convenes the Shareholders' general meetings in compliance with the relevant rules and shareholders' communication policy, which was adopted by the Company on 25 January 2016, and highly values the opinions, suggestions and concerns of the Shareholders. The contents of the shareholders' communication policy are available on the website of the Company. Pursuant to the policy, Directors, Supervisors, external auditor and senior management of the Company will attend the meetings to respond the shareholders' questions. The Company provides information to Shareholders through its financial reports (including interim and annual reports), circulars, announcements and other disclosures published on the websites of the Stock Exchange and the Company. In addition, the Company maintains its website with updates on the corporate governance practice and business development and operations. In order to effectively communicate with Shareholders and better understand their views, the Company also encourages the Shareholders to provide his enquiries to the Company at any time through its investors contact by email at wangshijie@qzhuixin.net, or the electrical means as displayed on the Company's website.

The Board reviewed the Company's shareholders and investor engagement and communication activities conducted in 2022 and was satisfied with the implementation and effectiveness of the shareholders' communication policy.

SHAREHOLDERS' RIGHTS

Under the Articles of Association, the Shareholders enjoy, among others, the following rights:

- **Participation at general meetings**

The Company encourages the participation of the Shareholders through annual general meetings and other general meetings in which they meet and exchange views with the Board, and exercise their right to vote.

- **Enquires and proposals to the Board**

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals to the attention of the joint company secretary of the Company at its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- **Convening extraordinary general meetings**

Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting within two months since the Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of the Company carrying voting rights request so in writing. Upon receipt of such written request, the Board shall convene an extraordinary general meeting or class Shareholders' meeting as soon as practicable. The aforesaid number of Shareholding shall be calculated as of the date of the submission of the written request by the Shareholder(s). A Shareholder's general meeting shall be convened in accordance with the Articles of Association.

Corporate Governance Report (continued)

- **Procedures for putting forward proposals at a general meeting**

In overseeing and monitoring the business operation of the Company, the Shareholders have the right to put forward proposals and raise inquiries. Shareholders holding 5% or more of the Company's voting shares have the right to put forward ad hoc proposals in writing to the Company, and the Company shall include them into the agenda for such general meeting, if the proposals fall within the functions and powers of the general meeting.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Articles of Association was amended and approved by the Shareholders at the annual general meeting of the Company held on 10 June 2022. The current version of the Articles of Association are available on the websites of the Stock Exchange and the Company.

A proposed amendments of the Articles of Association was approved by the Board on 29 March 2023 and will be available on the websites of the Stock Exchange and the Company after approval of the Shareholders at the AGM and all necessary filing procedures obtained from the relevant authorities in the PRC. For more details, please refer to the Company's 2022 annual results announcement dated on 29 March 2023 and the circular dated on 28 April 2023.

INVESTOR RELATIONS

During the year ended 31 December 2022, the Company has maintained corporate transparency and communications with the Shareholders and the investment community through a timely distribution of announcements and/or other publications and well-organized meetings and visits to enhance the understanding of investors. The Company's website provides an effective communication platform to keep the market abreast of the latest developments.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended 31 December 2022, the Board complied with the Code Provisions on risk management (including environmental and social risks) and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Company. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks (including ESG matters) and to resolve material internal control defects (if any). The senior management of the Company is responsible for the annual risk reporting process. The manager of the risk management department meets with senior management members to review and assess risks and discuss solutions that address material internal control defects (if any), including any changes relevant to a given year. The risk assessment is reviewed by certain members of the senior management of the Company. The senior management of the Company monitors risks, takes measures to mitigate risks in day-to-day operations, and presents the risk assessment results to the Audit Committee and the Board for review.

Corporate Governance Report (continued)

Credit risk is the most significant risk inherent in our business. We have developed a credit risk management system in accordance with the type and size of our loans, our customer types as well as the local legal and economic environment. Our risk management procedures mainly consist of due diligence reviews on customers, risk assessments, multilevel assessments and approval processes, post-loan grant reviews and collections, with varying levels of scrutiny generally based on the amount and type of loans granted. The Company has adopted the following measures:

- established a sound corporate governance structure with clearly defined duties of the Board, the Supervisory Committee and senior management;
- established a loan assessment committee under the Board and collective decision making procedures to mitigate the risk relating to personal judgment or prejudice of a single decision maker in a loan approval procedure;
- established a vertical risk management system to ensure the independence of our risk management;
- established and continuously improved operational procedures and internal control system, and utilizing information technology system to control the implementation of each procedure. In particular, we have adopted and have strictly implemented revolving loans projects annually; and
- providing employees, especially those who are responsible for assessment and approval processes, with professional training.

The Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the SFO and the overriding principle that inside information of the Company should be announced in a timely manner. Stringent internal structures have been designed for the handling and dissemination of inside information. From time to time, the Company reviews its internal policies and guidelines on inside information or potentially price-sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the SFO. The Company's policy contains a strict prohibition on the unauthorised use of confidential or inside information, and has established and implemented procedures for responding to external enquiries about the Company's affairs.

During the year ended 31 December 2022, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications and designated key spokespersons of the Company in all external media communications. The purpose of streamlining the communications of the Company with the media is to regulate all media communication activities, protect the interests of the Company and keep inside information strictly confidential prior to disclosure. The Board has overseen the Group's risk management and internal control systems on an ongoing basis. The Board reviews the risk management and internal control systems of the Group annually. During the Reporting Period, the Board conducted one review of the effectiveness of the risk management and internal control systems of the Group and considered that such systems during the Reporting Period were effective and adequate in reducing the exposure to the various quantifiable risks inherent in our operations. For details of the key risks and uncertainties facing the Company, please refer to the sub-section headed "Key Risk Factors" set out in the section of "Report of the Directors" of this annual report. The Company does not have in place an independent internal audit function, as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current structure and scope of the Company's operations.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

This environmental, social and governance (“ESG”) report, as the Company’s seventh ESG report (“ESG Report”), provides a true and objective overview of our Group’s information of 2022 in three major sectors (including environment, social and governance). All amount presented in the ESG Report are denominated in RMB.

Reporting period

ESG Report is issued once a year. Unless otherwise stated, information included in the ESG Report is collected within the period from 1 January 2022 to 31 December 2022, which is consistent with the Company’s fiscal year.

Reporting scope

Unless otherwise stated, the ESG Report covers information of the Company and its subsidiaries.

Reporting references

- Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- Global Reporting Initiative Standard for Sustainable Development Report

Reporting language

The simplified Chinese version, traditional Chinese version and English version of the ESG Report are provided for your reference.

Reporting principles

- Materiality: This report, based on stakeholders’ research and information analysis, identifies and addresses the important social responsibility issues that influence the Group’s sustainable development (see page 67 of this report for details).
- Quantitative: This report discloses the quantitative KPIs for the Group’s social responsibilities (see page 72 of this report for details).
- Consistency: This report ensures that the indicators used for different reporting periods are as consistent as possible. If there are changes in KPIs, explanations shall be made to such changed KPIs.
- Balance: This report content mirrors the objective facts, as well as discloses positive and negative indicators.

Data description

Data in this report derives from our Group’s internal system.

Approval by the Board

After being reviewed by the management, this report has been approved of by the Board on 29 March 2023.

I COMPLIANCE OPERATION

1.1 Improving corporate governance

To comply with the requirements of the *Company Law of the People's Republic of China* (中華人民共和國公司法) and other relevant laws and regulations, the Company maintains a corporate governance structure of “three committees and one level” in which the authority, decision-making body, supervisory body and executive body perform their respective duties, operate effectively and maintain mutual checks and balances. The Board is the highest decision-making body of the Company and is responsible to the general meeting of shareholders. In 2022, 4 Board meetings and 4 Board committee meetings were held, and the Board considered and approved 28 resolutions and 5 reports. The Supervisory Committee is the supervisory body of the Company and is responsible to the general meeting and continues to improve the quality of its supervision performance. In 2022, 2 Supervisory Committee meetings were held, with 23 resolutions offered being revised and 5 resolutions being considered.

To strictly comply with laws and regulations and related policies such as the *Guiding Opinions of the People's Bank of China on the Pilot Operation of Microfinance Companies* (中國人民銀行關於小額貸款公司試點的指導意見), the *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建省小額貸款公司暫行管理辦法), the *Pilot Measures of Cross-county Operation of Microfinance in Quanzhou* (泉州市小額貸款公司跨縣域經營試點實施方案) and the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies promulgated by the government of Quanzhou City* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), the Company amended the Articles of Association accordingly. The Company will ensure the sound operation of its compliance risk management system by improving our corporate governance, developing our integrity and corporate value of responsibility.



Chart: Organizational Structure of the Company

Environmental, Social and Governance Report (continued)

Valuing Board Diversity

The Company attaches great importance to the issues of diversity and inclusion and believes that it is important to have a diverse membership at the board level. In determining the composition of the Board, the Company considers the diversity of the Board from various aspects, including but not limited to gender, age, height, and social characteristics such as ethnicity, nationality, religious beliefs, and economic conditions as criteria or bases for selecting Directors.

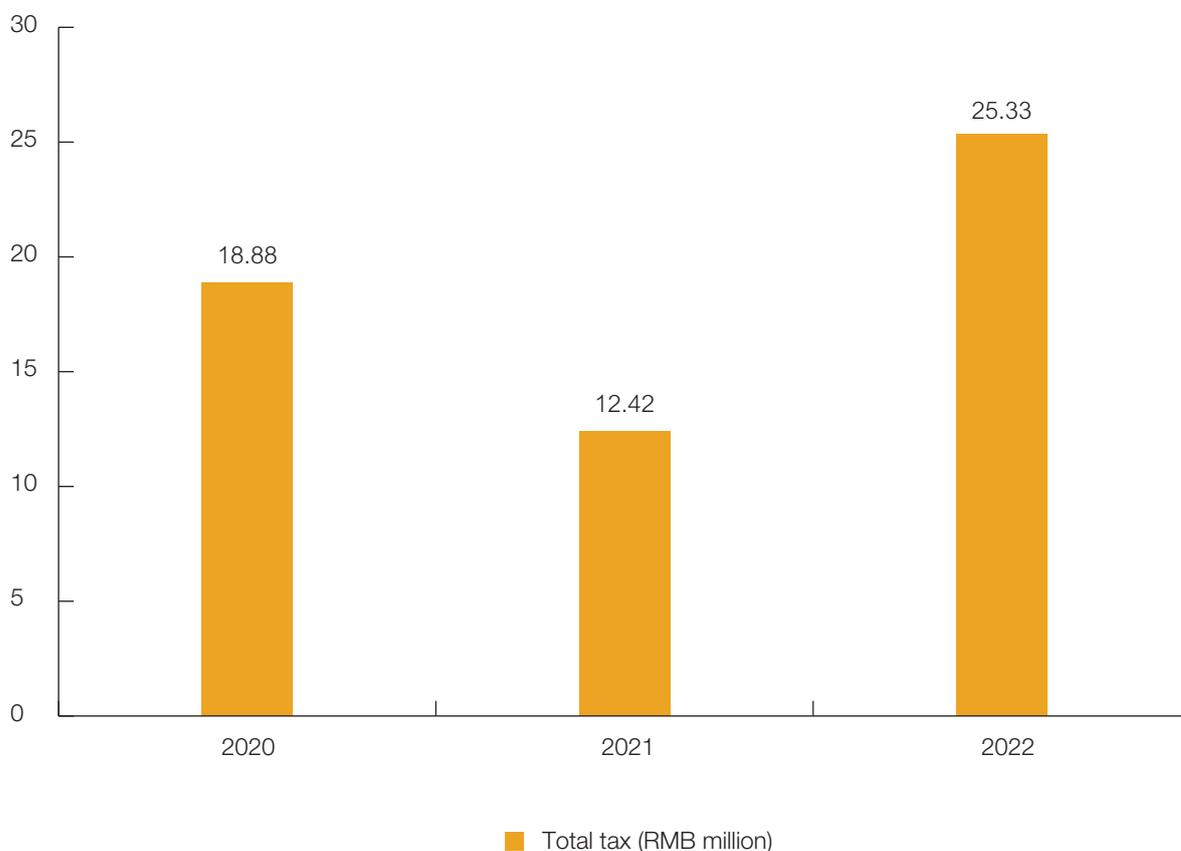
During the Reporting Period,

- The Board consists of 9 Directors, including 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors. The Company has one female Director among its Board members.
- The Supervisory Committee consists of 5 supervisors, including 2 independent supervisors, 1 Shareholder representative supervisor and 2 employee representative supervisors.
- The percentage of female executives among the Company's senior management reached 28.51%.

1.2 Strictly fulfilling tax obligations

The Company continued to improve its governance structure, so that effective corporate governance served as an important guarantee for the long-term prosperity of its major business and laid a solid foundation for the Company's long-term and stable operation. In 2022, the outstanding performance in corporate governance and active tax payment of the Company were commended and recognized by the district government, and it was also awarded as the 2022 Top Taxpayer and the 2023 Key Enterprise.

Total tax for 2020-2022



1.3 Disclosing information in a timely and quality manner

In accordance with the requirements of the Stock Exchange, the Company completed its information disclosure in a timely and quality manner. The Company also coordinated with relevant institutions and departments to complete the preparation and release of information disclosure documents such as 2021 Annual Results Announcement, 2021 Annual Report and 2021 Environmental, Social and Governance Report with high efficiency and high quality within the specified time. For the year end of 31 December 2022, the Company has published 29 documents on the Hong Kong Stock Exchange's and the Company's websites.

1.4 Promoting anti-corruption

With anti-bribery and anti-corruption related work as its top priority, the Company put its anti-bribery and anti-corruption obligations above its commercial interests. By continuously developing its anti-corruption management concept and improving its anti-corruption compliance policies and processes, the Company strived to create a fair and healthy business environment. The Company also signed a duty agreement with its employees, clarifying that employees shall not ask for or accept property, clearly stating relevant responsibilities, and irregularly publicizing the serious consequences of corruption to employees as a warning. In addition, regular questionnaires were sent to customers, and customers provided feedbacks on whether there was any corruption during the work of employees. Through the effective anti-corruption management, no employees were involved in legal proceedings for violating corruption policies or professional conduct and no anti-corruption training was held in 2022.



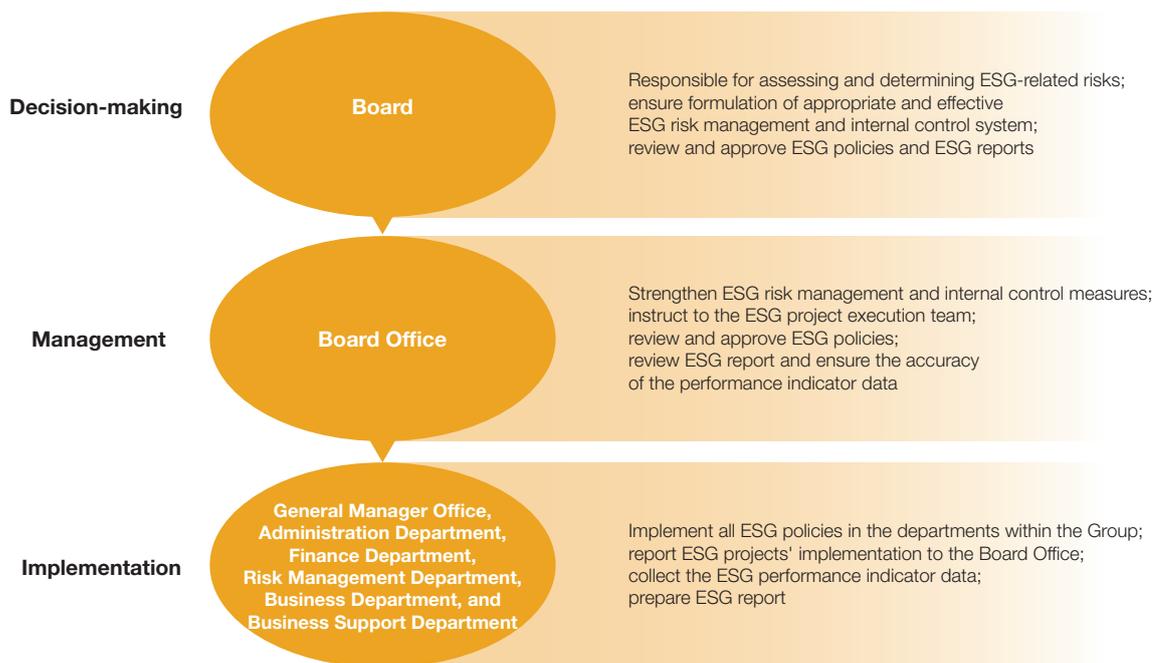
II. ESG

2.1 ESG structure

Scientific and effective ESG structure is the foundation to facilitate the improvement of the Company’s sustainable development ability. Therefore, the Company has established an ESG structure covering three levels as “decision-making, management and implementation” to develop an ESG management mechanism with connection between the upper and lower level, thereby continuously improving the systematization and effectiveness of the Company’s ESG management.

Board Statement

The Company strictly complies with the ESG requirements issued by the Stock Exchange. The Board is fully responsible for the review and determination of material ESG-related matters, including determining ESG development objectives, formulating ESG strategies, reviewing major ESG issues, monitoring the progress of ESG-related matters, reviewing and approving ESG policies and ESG reports.



2.2 Communication with stakeholders

The Company actively develops communication channels with stakeholders in all processes of its daily operations and services to carefully listen to their views and feedback and continuously enhance the effectiveness of communication with stakeholders. With reference to guideline documents such as “How to Prepare an ESG Report: a Step-by-Step Guide to ESG Reporting” issued by the Stock Exchange and “Global Reporting Initiative Standard for Sustainable Development Report”, the Company has established a three-step process of identification, analysis and verification based on its nature of business and industry attributes, focusing on six major stakeholders, namely government and regulatory body, shareholder, customer, employee, supplier and community, while actively communicating and providing feedback on sustainability issues of concern to stakeholders.



Environmental, Social and Governance Report (continued)

Stakeholders	Issues of concern	Communication and feedback
Government/ Regulatory body	<ul style="list-style-type: none"> Promote economic development Against embezzlement and corruption Compliance management Risk management 	<ul style="list-style-type: none"> Promote local economic development Regular disclosure Partake in government surveys and meetings Improve risk management
Shareholder	<ul style="list-style-type: none"> Corporate governance Business development 	<ul style="list-style-type: none"> Hold annual general meetings Hold investors' meetings
Customer	<ul style="list-style-type: none"> Customer rights protection Product and service quality Information security 	<ul style="list-style-type: none"> Organize investor education activities Information security and privacy protection Responsible communication
Employee	<ul style="list-style-type: none"> Employment and rights Promotion and development Education and training Health and safety 	<ul style="list-style-type: none"> Against workplace discrimination Establishing official rank system Organize employee trainings Employee caring activities
Supplier	<ul style="list-style-type: none"> Responsible procurement 	<ul style="list-style-type: none"> Optimize procurement model
Community	<ul style="list-style-type: none"> Respond to the COVID-19 	<ul style="list-style-type: none"> Support resumption of corporate operation and production Anti-epidemic volunteers

Environmental, Social and Governance Report (continued)

2.3 Analysis of material issues

Based on the strategic objectives and industry characteristics, the Company identified five issues relating to substantive social responsibility by following the materiality principle of the “Environmental, Social and Governance Reporting Guide” in Appendix 27 of the Listing Rules with reference to the assessment made by both internal and external stakeholder on the potential issues and the Company’s business characteristics, and mapped the major issue matrix of the Company for 2022 after analysis.



High ↑ Importance to our stakeholders ↓ Middle	Innovation in products and operations	Customer complaint handling and satisfaction Investor education Protect the rights and interests of small and medium shareholders Information security and customer privacy protection	Corporate governance Compliance operation Risk management Anti-corruption Protection to rights and interests of consumers
	Expand the cooperation ecosystem Driving the industry development	Employee training and development Employee caring Corporate culture Low carbon operation	Employee recruitment and employment Employee benefits Stakeholders communication Contribution to the local economic development
	Supply chain management	Volunteering service Charity Respond to the COVID-19	Support to community development Donation

Middle ← Importance to the Company’s social responsibility development → High

III. RISK MANAGEMENT

3.1 Loan risk management

Preventing loan risks is the top priority on the Company’s risk management. To this end, the Company had established strict loan risk control procedures and set up special risk management managers and personnel to conduct risk assessments on loan applications. Besides, there are also other management steps as review and approval by loan approval committee, chairman of the Board or the Directors in place, so as to effectively identify, manage and reduce risks in the while process of loan granting from application to approval.

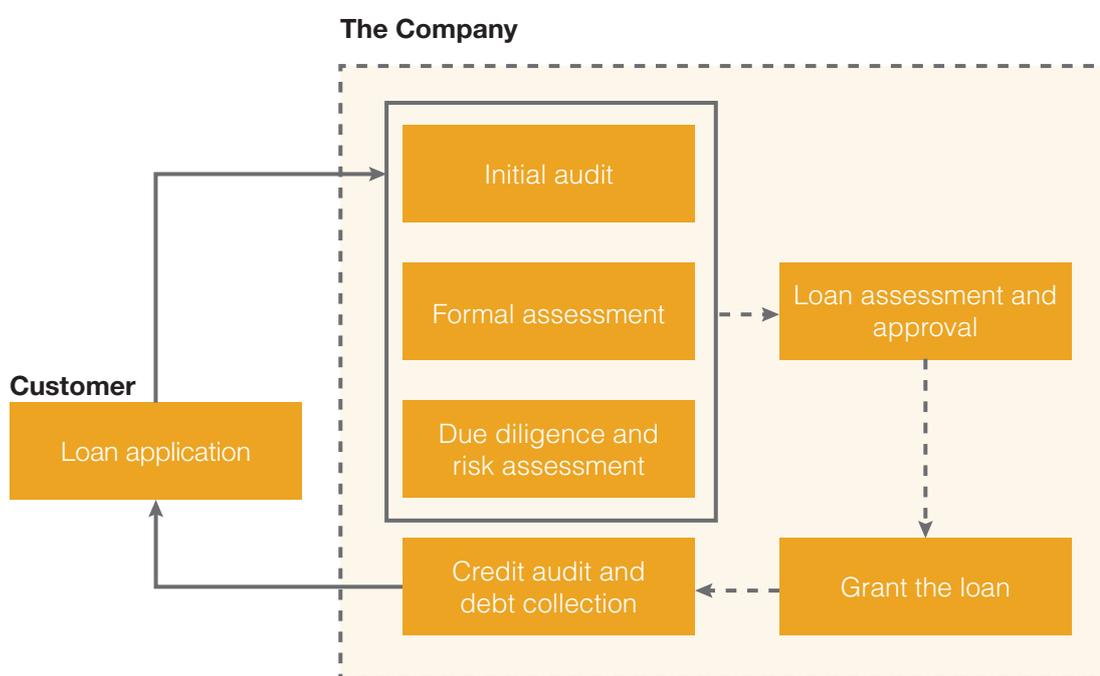


Chart: Risk Control Procedure of the Company

3.2 ESG risk management

The Company stresses environmental and social risks, regularly follows up on environmental and social risk management and control policies and evaluates the possible impact of environmental and social risks on customers. Moreover, the Company actively takes relevant measures to deal with related risks, including but not limited to providing customers with risk prevention suggestions and strengthening guarantee measures.

Case: Training to raise staff awareness of risks

In September 2022, a training session was conducted by the Company with the aim of providing education on the “Civil Code Guarantee System: Understanding and Operation”. The session had a total of 28 participants who attended in person, while several others participated remotely through online platforms. The primary purpose of the training session was to disseminate information about the modifications made to the guarantee system and offer operational guidance following the adoption of the Civil Code. The session placed significant emphasis on critical issues such as the validity of guarantees, the importance of raising awareness among the company’s staff about potential risks, and the necessity of preventing issues such as incomplete guarantee procedures leading to the invalidity of guarantees.

3.3 Compliance risk management

The corporate compliance structure is led by the Board Committee and Supervisory Committee. It is monitored by the senior management, managed by the general manager and risk management department of the Company, and coordinated between all internal control departments. The Board, Supervisory Committee and senior management are responsible for the effectiveness of the compliance structure. All of our employees are required to observe the regulations, sign a compliance commitment and follow the business code of conduct strictly.

Protects the intellectual property rights

The Company is strictly in compliance with the provisions of the *Trademark Law of the PRC* (中華人民共和國商標法), the *Patent Law of the PRC* (中華人民共和國專利法), the *Copyright Law of the PRC* (中華人民共和國著作權法) and other laws and regulations to ensure the legitimate and standardised use of our trademarks. The Company ensures compliance with intellectual property laws by protecting our own intellectual property rights, while also respecting and refraining from violating the intellectual property rights of others.

The Company developed and operates the WeChat official account to continuously build its brand promotion and increase the corporate awareness. When the Company reproduces an article from another WeChat Official Account, we take prompt action to contact the original publisher and seek the permission before proceeding with the reproduction on our own WeChat official account. If the Company fails to obtain the consent of the original publisher, only link of the article will be share in the Company's WeChat official account to prevent the possibility of infringement and safeguard the intellectual property rights of third parties. In 2022, there is no risk event arising from intellectual property disputes.

3.4 Anti-money laundering work

The Company strictly fulfills its anti-money laundering responsibility of a financial institution. According to the *Anti-Money Laundering Law of the PRC* (中華人民共和國反洗錢法), the *Administrative Measures for the Reporting of Large-value and Suspicious Transactions by Financial Institutions* (金融機構大額交易和可疑交易報告管理方法) and other laws and regulations, the Company instituted a sound *Administrative Measure for Anti-money Laundering Work of Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額貸款股份有限公司反洗錢工作管理辦法) to specify the money laundering risk appraisal and monitoring processes and work. It also pays close attention to the latest requirements of relevant policies and regulations on anti-money laundering, actively promoting the effective integration of anti-money laundering work with business practices.

In addition, the Company conducted anti-money laundering trainings for all employees and publicized anti-money laundering knowledge to enhance their awareness and sensitivity to anti-money laundering, improve their anti-money laundering capabilities and the effectiveness of the Company's anti-money laundering work.

IV RESPONSIBILITY FOR CUSTOMERS

4.1 Supporting business development

COVID-19 pandemic continued to affect people's work and life during 2022. In face of the pandemic, the Company actively undertakes its social responsibility to support SMEs to cope with the crisis and maintain stable development. In 2022, the Company provided loans in an aggregate amount of RMB799.4 million to enterprises, of which RMB104.1 million granted to those affected by the pandemic and RMB514.7 million to the real economy for supporting them in accelerating the resumption of work and production.

4.2 Protecting consumers' rights and interests

4.2.1 Information security and privacy protection

The Company strictly complies with the *Law of the PRC on the Protection of Consumer Rights and Interests* (中華人民共和國消費者權益保護法), and attaches great importance to the protection of customers' privacy and information security management. In 2022, the Company continues to refine its management mechanisms for protecting private data and preventing sensitive information leakage. By posting a list containing loan information at operational premises, we delineate the scope of information collection and ensure no excessive collection of customers' information. Besides, the Company perfects the contents of confidentiality agreement according to the actual situation, and signs confidentiality agreement with employees, in which employees are agreed to bear the responsibility of keeping commercial secrets such as project information and client list. Personnel with access to customer data are restricted, with employees only being able to access materials from customers under their management, reducing the risk of customer information leakage. In the event that an employee is required to access customer information for work purposes, the Company will follow a strict approval process in order to better protect customer information.

Delineating the scope of information collection	Clarify the scope of information collection by posting a list containing loan information at operational premises.
Signing confidentiality agreements	Signing confidentiality agreements with clients. Signing confidentiality agreements with employees.
Refining access management	Only persons relating to the project can access customer data and privacy, and no irrelevant person is allowed for assessment of customer data and privacy.

Environmental, Social and Governance Report (continued)

4.2.2 Responsible customer communication

By always putting the customer's interests in the first place, the Company strictly complies with the *Law of the PRC on the Protection of Consumer Rights and Interests* (中華人民共和國消費者權益保護法) and the *Anti-unfair Competition Law of the PRC* (中華人民共和國反不正當競爭法) and other relevant laws and regulations, so as to safeguard the legitimate rights and interests of customers, such as the right to know and the right to choose. The Company maintains positive and efficient communication with customers and constantly strengthens risk management transactions for customers to improve their risk prevention awareness and risk prevention ability. Product risk disclosure is made at the Company's official website, business premise and contract signing. The Company handles the customer's complaints seriously, and will investigate the case in the first place and provide its feedback of the process and the result to the customer in a timely manner. We served a total of 123 customers and no customer filed any complaint in 2022.



Environmental, Social and Governance Report (continued)

V GREEN OFFICE

5.1 Green operation

The Company actively implements the concept of green operation and follows the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法), the *Energy Conservation Law of the PRC* (中華人民共和國節約能源法) and other environmental protection laws and regulations to minimize the impact of its operation on the environment.

In daily office operation, the material consumption of the Company is mainly paper products such as contracts, bills and documents, while the waste generated is mainly non-hazardous waste such as office waste. Before disposal of waste, the Company classifies waste in accordance with regulatory requirements to reduce pollution, improve recycling efficiency and reduce raw material consumption. In 2022, there were no confirmed violations related to environmental protection that had a significant impact on the Company.

Resource consumption category	Unit	2021		2022	
		Total	Per capita	Total	Per capita
Electricity consumption	Kilowatt-hour	52,726	836.92	62,623	1,227.90
Water consumption	ton	57	0.91	354	6.94
Gasoline					
92#	Liter	7,183.76	114.03	9,455	185.39
95#	Liter	19,034.52	302.14	15,060	295.29
98#	Liter	104.86	1.66	—	—
Total gasoline consumption	Liter	26,323.14	417.83	24,515	480.69
Paper	Kilogram	1,003.5	15.93	1,414.7	27.74
Greenhouse gas emissions					
Greenhouse gas from direct emission sources (Scope 1)	Tons of CO ₂ equivalent	58.11	0.92	53.68	1.05
Indirect greenhouse gas emissions (Scope 2)	Tons of CO ₂ equivalent	30.79	0.49	40.13	0.79
Total greenhouse gas emissions	Tons of CO ₂ equivalent	88.89	1.41	93.81	1.84

5.2 Responsible procurement

Suppliers mainly provide the Company with decoration services and office supplies, which mainly include copier, scanner, ink cartridges and papers. In accordance with the Law of the PRC on Tenders and Bids (中華人民共和國招標投標法), the Company strictly controls the purchase cost, continuously optimizes the selection mode of goods procurement and selects the best supplier. In 2022, no negative impacts were found due to the suppliers' misconducts in social responsibilities like business ethnics, environmental protection and labor measures, etc.

VI. EMPLOYEES

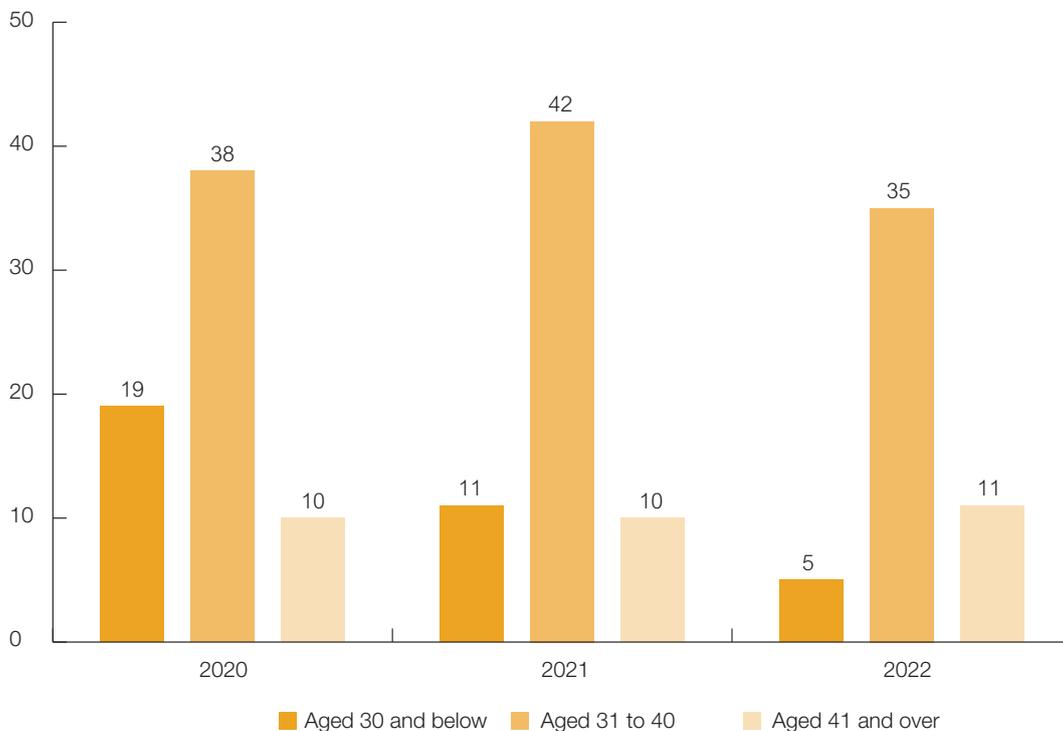
6.1 Employment policy

For recruitment and employment, complying with national laws and regulations, such as the *Labor Law of the PRC* (中華人民共和國勞動法), the *Labor Contract Law of the PRC* (中華人民共和國勞動合同法), the *Employment Promotion Law of the PRC* (中華人民共和國就業促進法), the *Law on Safeguarding Women's Interests and Rights of the PRC* (中華人民共和國婦女權益保障法) and the *Special Provisions on the Labor Protection of Female Employees* (女職工勞動保護特別規定), the Company eliminates any discrimination on gender, age, race, family status, religion, sexual orientation, social origin and other aspects, prohibits any discriminatory requirements and practices in the recruitment process, and supports the formation of a diversified talent team.

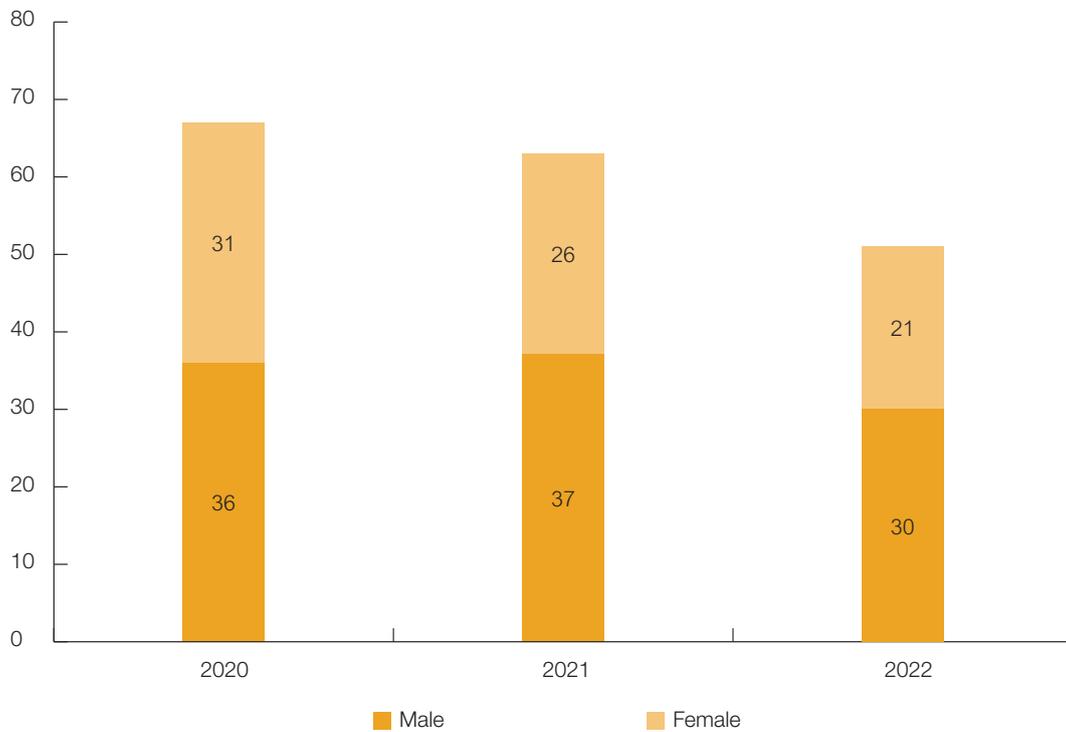
The Company enters into a labor contract with each employee. There is no forced or compulsory labor. The Company strictly complies with the *Protection of Minors Law of the PRC* (中華人民共和國未成年人保護法), the *Provisions on the Prohibition of Using Child Labor* (禁止使用童工規定) and other laws and regulations. In order to prevent the employment of child labor, the age and background of candidates are reviewed at the resume screening stage. Those who do not meet the requirements of relevant laws and regulations will fail.

As of 31 December 2022, the Group has a total of 51 full-time employees all based in Fujian Province. The Company's labor contract signing rate reached 100%, and there was no child labor or forced labor.

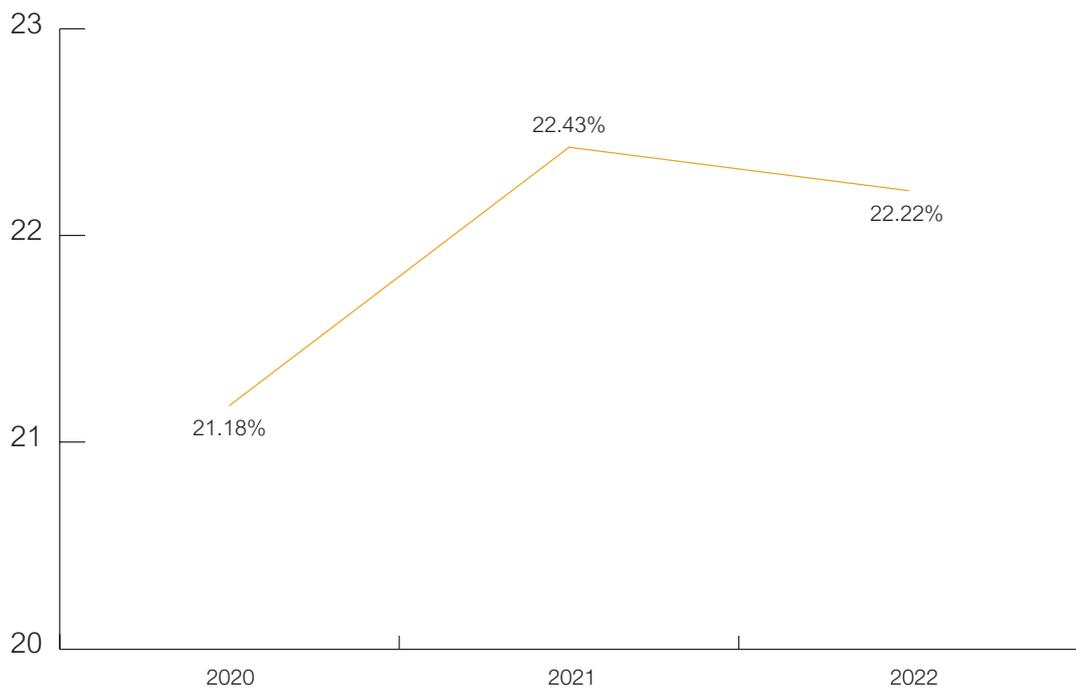
Staff structure of Huixin from 2020 to 2022 (by age)



Staff structure of Huixin from 2020 to 2022 (by gender)

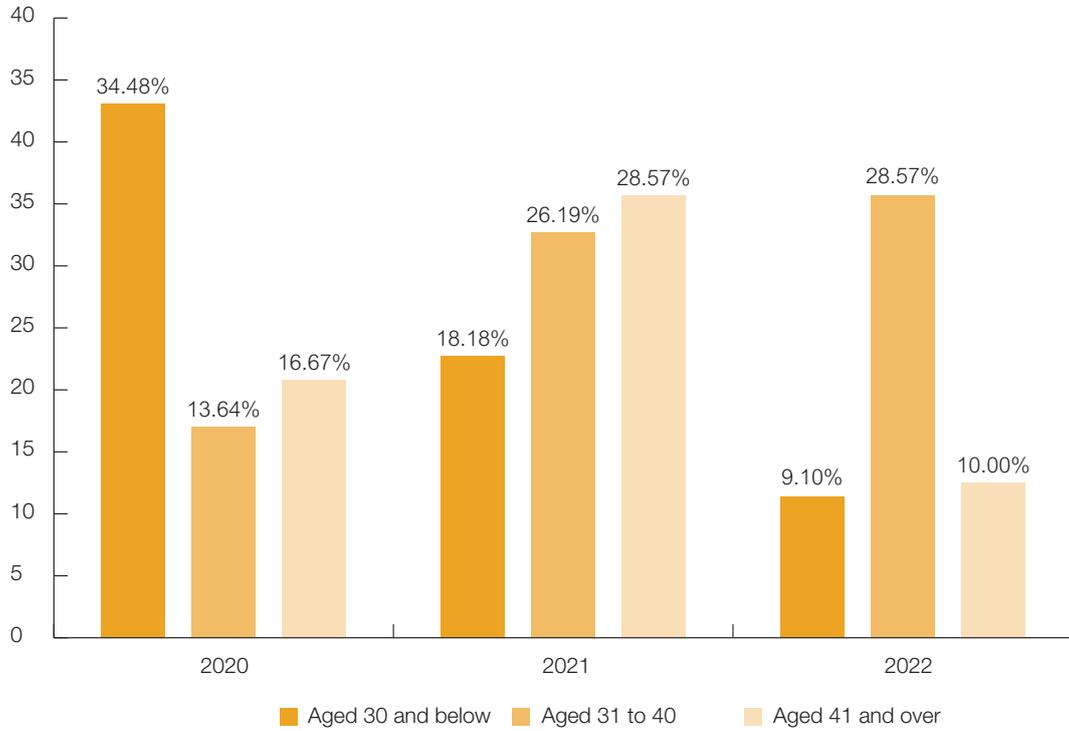


Employee turnover rate of Huixin from 2020 to 2022 (%)

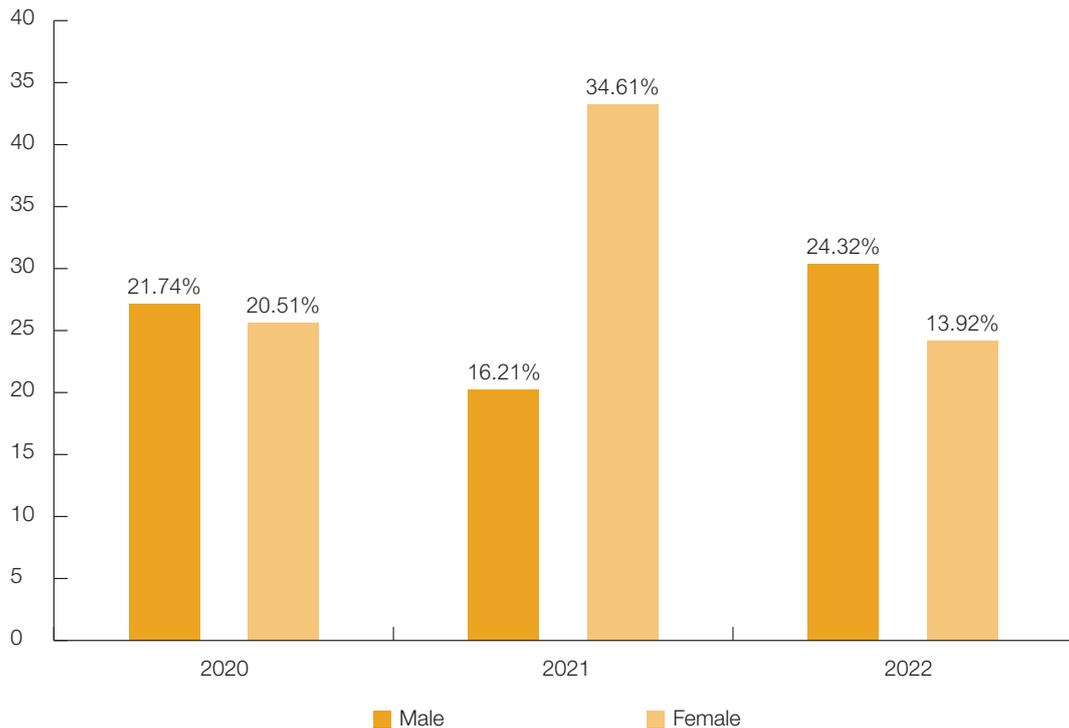


Environmental, Social and Governance Report (continued)

Employee turnover rate of Huixin from 2020 to 2022 (by age)



Employee turnover rate of Huixin from 2020 to 2022 (by gender)



6.2 Employees' rights and benefits

The Company clings to the core notion of "people-oriented", follows the principle of equal compensation system, establishes a system of position hierarchy, clarifies the direct link between compensation and position hierarchy, and continues to improve the welfare security system of employees. The Company's social insurance coverage rate reached 100% in 2022.

In addition to basic social and medical insurance, the Company also provides employees with diversified and personalized benefits, such as birthday bonuses, food subsidies, Spring Festival gifts and other daily benefits. The Company will also provide special condolence, extra maternity allowance and other care benefits at the wedding, funeral or birth-giving of any employee.

6.3 Staff health and safety

The Company attaches great importance to the employees' physical and mental health and safety. It strictly complies with relevant laws and regulations, such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》) and the Labor Law of the PRC (《中華人民共和國勞動法》) to provide the staff with a healthy and safe working environment. For the periods from 2020 to 2022, no work-related injury or death accident occurred in the Company.

Concern about the employee's physical health

- Carry out health checkup programs annually

Bulid a safe workplace

- Decoration of office premises is carried out in accordance with the requirements of commercial offices, the decoration materials meet the national requirements for fire protection
- Emergency evacuation maps are showed up at eye-catching positions; equip with fire-fighting facilities and escape masks and conduct regular check

Popularize safety knowledge

- Hold fire drills and provides staff with training on fire-fighting knowledge, ensuring the staff to understand the use of fire extinguishers, escape masks, fire blankets, etc.

Cope with pandemic postively

- Conduct regular disinfection in office premises
- Support telecommuting conditions for staff who need to be quarantined and provide them equal pay for equal work as employees working at office
- Provide employees with masks, hand sanitizer and thermometers; antigen rapid test (self-testing), N95 mask and antipyretics were list in the standing offer medicine of the Company after the COVID-19 infection was adjusted to "B Class disease and B Class disease control"

6.4 Staff training and career development

The Company has established a staffing level system in line with its development to build a talent bank for its business development. To continuously drive a better development, the Company promoted a learning culture within the corporate to fulfill the needs of employees to broaden their horizons, exchange knowledge and improve their skills. With the purpose of “reading to cultivate oneself, learning to practice”, the Company launched study and training annually for all the employees, mainly targeting at the personnel of business departments. The key lessons cover legal affairs and taxation, as well as the additional content on production, branding, sales and operation in relation to the operation and management of enterprise entities, which enable the employee to learn and practice, deepen their understanding on the Company’s business and provide better service for customers.

Supervisory sequence	Marketing sequence	Profession sequence
<ul style="list-style-type: none"> • General manager • General manager assistant/director • Divisional director • Senior manager of department • General manager of business department, etc. 	<ul style="list-style-type: none"> • Senior manager of department • Senior team manager • Senior project manager • Senior customer manager • Risk control/customer service manager, etc. 	<ul style="list-style-type: none"> • Chief risk controller • Senior expert • Senior professional manager • Professional senior executive • Specialist • Assistant/noviciate, etc.

In addition to training, the Company has set up a book sharing club to improve the comprehensive ability of employees in terms of learning and presentation by providing typical project reviews, industry research analysis and reading tips on a regular and irregular basis.

In 2022, the Company has totally organized 8 training sessions and 10 internal sharing and reading sessions. The total duration of staff training reached 1,765 hours; the total number of attendees reached 475; and the total staff training expenses exceeded RMB210,000.

Environmental, Social and Governance Report (continued)

Staff training from 2020 to 2022

Category	2020	2021	2022
Total training times (person-times)	586	365	475
Total training hours (hours)	2,404	1,417.5	1,765
Total training percentage (%)	92.86	85.94	69.4
Classified by gender			
Average training hours of male staff (hours)	32.13	29.69	29.43
Training percentage of male staff (%)	91.84	89.4	82.22
Average training hours of female staff (hours)	23.7	11.44	16.94
Training percentage of female staff (%)	88.57	61.18	46.15
Classified by level			
Average training hours of senior management (hours)	15	18.66	11.67
Training percentage of senior management (%)	80	90	77.78
Average training hours of intermediate management (hours)	36.88	39.8	28.92
Training percentage of intermediate management (%)	100	100	75
Average training hours of general staff (hours)	28.69	17.53	26.26
Training percentage of general staff (%)	94.83	69.17	68

2022 Training Cases (partial)

Training Objects	Training Topics
Senior management	<ul style="list-style-type: none"> Regular training for affiliated person of The Hong Kong Chartered Governance Institute
Business employees	<ul style="list-style-type: none"> Brainstorm: mainly economic trend research and analysis, innovative thoughts on product and interpretation and analysis on laws and regulations Learning in professional areas Outdoor development
Risk management employees	<ul style="list-style-type: none"> Learning in professional areas
All employees	<ul style="list-style-type: none"> Internal sharing session and reading session: business introduction, interpretation on laws and regulations and joint analysis on professional knowledge relating to stock investment and regional property market

6.5 Employee caring campaign

The Company continued to build a harmonious working atmosphere with work-life balance by organizing various festive and caring campaigns to motivate the employee. The Company spared no effort to protect the rights and interests of female employees and advocate care and concern for female employees. In particular, the Company provided statutory maternity leave, nursing leave and maternity allowance to female employees in accordance with laws and regulations and organizing special activities such as Women's Day and Mothers' Day for female employees from time to time, to enrich their spiritual and cultural life. In 2022, the Company spent RMB108,484.66 in organizing various employee activities.

VII COMMUNITY PARTICIPATION

7.1 Driving the industry development

Adhering to its mission that financial services shall support real economy, the Company strengthened its sense of responsibility and continuously optimized its financial resources allocation by constantly diverting financial resources to the key areas in real economy and the inadequate areas of people's livelihood, in a view to practically meet the needs of high-quality economic and social development.

Case: Attending Local Financial Authority Seminar

In July 2022, the Company participated in a seminar themed on "Opportunities and Challenges to Local Financial Corporates while the Government Striving for Steady Economy Growth" held by Quanzhou Local Financial Regulatory Authority (泉州市地方金融监督管理局). The seminar mainly introduced the major approaches and ways to dispose non-performing assets and conducted an analysis on the bankruptcy and reorganization of common benefits debt investment and funding and their subsequent construction modes. This help the Company enrich the ways to dispose non-performing assets and understand how to dispose such assets.

7.2 Supporting the combat against the pandemic

In March 2022, Quanzhou issued a two-month closed standstill order, during which 23 employees of the Company engaged in the anti-pandemic activities as volunteers. After the standstill order, 23 volunteers received letters of thanks from Quanzhou Local Regulatory Authority (泉州市地方监督管理局) and were awarded with the commendation that "Financial Assistance in the combat against the pandemic demonstrates the sense of responsibility".

Environmental, Social and Governance Report (continued)

APPENDIX ESG INDEX OF THE STOCK EXCHANGE

Indicator			Corresponding Section of the Report
A. Environmental			
Aspect A1: Emissions	KPI A1.1	The types of emissions and respective emissions data.	5.1 Green operation
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	5.1 Green operation
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	The Company has very little hazardous waste due to its business nature, therefore the amount of hazardous waste generated is not counted.
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	The Company has very little hazardous waste due to its business nature, therefore no targets have been set.
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	The Company is a financial institution and generates very little waste, therefore no statistics and target setting for the amount of waste generated.
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	The Company is a financial institution and generates very little waste, therefore no target has been set.
Aspect A2: Use of Resources	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	5.1 Green operation
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	5.1 Green operation
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	The Company actively practices low carbon operations. Due to the nature of the industry in which the Company operates, energy efficiency is not a significant issue and energy efficiency targets have yet to be set.
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	The indicator of water consumption is not applicable for the Company's business as the Company is a non-production company.
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	This indicator of packaging material is not applicable for the Company's business as the Company is a non-production company.

Environmental, Social and Governance Report (continued)

Indicator			Corresponding Section of the Report
Aspect A3: The Environment and Natural Resources	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	3.2 ESG risk management
Aspect A4: Climate Change	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Company, and the actions taken to manage them	The Company practices a low carbon office in response to climate change, and climate risk stress testing has yet to be conducted due to its business nature.
B. Social – Employment and Labour Practices			
Aspect B1: Employment	KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region	6.1 Employment policy
	KPI B1.2	Employee turnover rate by gender, age group and geographical region	6.1 Employment policy
Aspect B2: Health and Safety	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	6.3 Staff health and safety
	KPI B2.2	Lost days due to work injury	6.3 Staff health and safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	6.3 Staff health and safety
Aspect B3: Development and Training	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	6.4 Staff training and career development
	KPI B3.2	The average training hours completed per employee by gender and employee category	6.4 Staff training and career development
Aspect B4: Labour Standards	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	6.1 Employment policy
	KPI B4.2	Description of steps taken to eliminate such practices when discovered	6.1 Employment policy

Environmental, Social and Governance Report (continued)

Indicator			Corresponding Section of the Report
Social – Operating Practices			
Aspect B5: Supply Chain Management	KPI B5.1	Number of suppliers by geographical region	The Company has a small number of suppliers and plans to gradually improve supplier management in the future.
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	The Company has a small number of suppliers and plans to gradually improve supplier management in the future.
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	The Company has a small number of suppliers and plans to gradually improve supplier management in the future.
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	The Company has a small number of suppliers and plans to gradually improve supplier management in the future.
Aspect B6: Product Responsibility	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	This indicator is not applicable as the Company is a non-production company.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with	4.2.2 Responsible customer communication
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	3.3 Compliance risk management
	KPI B6.4	Description of quality assurance process and recall procedures	This indicator is not applicable as the Company is a non-production company.
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	4.2.1 Information security and privacy protection
Aspect B7: Anti-corruption	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	1.4 Promoting anti-corruption
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	1.4 Promoting anti-corruption
	KPI B7.3	Description of anti-corruption training provided to directors and staff	1.4 Promoting anti-corruption
Social – Community			
Aspect B8: Community Investment	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	7.1 Driving the industry development
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area	7.1 Driving the industry development

Independent Auditor's Report



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To the shareholders of Quanzhou Huixin Micro-credit Co., Ltd.

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Quanzhou Huixin Micro-credit Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 88 to 159, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Independent Auditor's Report (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Allowance for impairment of loans and accounts receivable

HKFRS 9 *Financial Instruments* (hereinafter referred to as "HKFRS 9") requires the impairment of financial assets to be measured using the "expected credit loss model".

The measurement of expected credit losses ("ECLs") increases complexity and requires the application of significant judgement, regarding, for example, the identification of exposures with a significant deterioration in credit quality, and the use of assumptions in the ECL model (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.

As at 31 December 2022, the Group's loans and accounts receivable consisted of loans receivable and lease receivables, and accounted for 60% of the total assets of the Group. The determination of allowance for impairment of loans and accounts receivable was a key area of judgement.

The disclosures relating to the loans and accounts receivable and allowance for impairment of loans and receivables are included in note 6 and note 18 to the consolidated financial statements.

We obtained an understanding of the controls over the approval, recording and monitoring of loans and accounts receivable and assessed such controls. We also assessed the effectiveness of key controls over the application of the impairment methodology, the governance for the ECL model, and inputs and assumptions used by the Group in calculating the ECLs.

For the collectively assessed ECLs, we evaluated and tested the Group's ECL models, including the model input, model design, and model performance for significant portfolios. We evaluated the Group's criteria for assessing whether there has been a significant increase in credit risk so that allowance for loans and accounts receivable should be measured on a lifetime ECL basis. We also assessed whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the forward-looking information used to determine expected credit losses.

For the allowance for impaired loans and receivables determined on an individual basis, we assessed the indicators and assumptions for impairment, and the quantification for allowance for impairment including the forecasts of future cash flows, the valuation of underlying collateral and estimates of recoverable amounts.

We also assessed the adequacy of the disclosures relating to loans and accounts receivable and the allowance for impairment of loans and accounts receivable, which are included in note 6 and note 18 to the consolidated financial statements.

Independent Auditor's Report (continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Notes	2022	2021
Interest income	5	138,501,809	139,788,041
Interest expense	5	(2,904,204)	(2,093,884)
Interest income, net		135,597,605	137,694,157
Impairment losses on loans and accounts receivable, net	6	(7,848,513)	(10,940,047)
Operating and administrative expenses		(24,517,470)	(25,463,865)
Foreign exchange gain/(loss), net		254,230	(238,065)
Net investment losses	7	(12,317,653)	(9,094,792)
Provision for a contingent liability	8	(444,000)	(12,670,258)
Other income and gains, net	9	4,910,590	3,103,366
Other expenses		(6,918)	(187,785)
PROFIT BEFORE TAX	10	95,627,871	82,202,711
Income tax expense	13	(23,198,511)	(20,245,980)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		72,429,360	61,956,731
Attributable to:			
Owners of the parent		60,700,176	42,078,731
Non-controlling interests		11,729,184	19,878,000
		72,429,360	61,956,731
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic		0.09	0.06
Diluted		0.09	0.06

Consolidated Statement of Financial Position

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

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	16	143,268,846	40,897,950
Financial assets at fair value through profit or loss	17	318,055,706	283,740,839
Loans and accounts receivable	18	799,393,640	983,289,132
Property and equipment	19	9,905,120	11,243,301
Right-of-use assets	20	1,112,194	1,497,770
Goodwill	21	14,729,281	14,729,281
Other intangible assets		547,759	436,981
Deferred tax assets	22	27,041,209	19,568,335
Other assets	23	11,899,959	13,282,285
TOTAL ASSETS		1,325,953,714	1,368,685,874
LIABILITIES			
Interest-bearing bank and other borrowings	24	38,919,190	106,050,796
Financial liabilities at fair value through profit or loss	25	10,356,339	9,975,899
Lease liabilities	20	1,191,218	1,653,649
Income tax payable		12,424,076	15,229,808
Provision	8	13,114,258	12,670,258
Deferred tax liabilities	22	735,168	855,690
Other payables	26	9,895,288	14,705,427
TOTAL LIABILITIES		86,635,537	161,141,527
NET ASSETS		1,239,318,177	1,207,544,347
EQUITY			
Share capital	27	680,000,000	680,000,000
Reserves	28	162,964,958	158,155,618
Retained profits		285,315,477	263,424,641
Equity attributable to owners of the parent		1,128,280,435	1,101,580,259
Non-controlling interests		111,037,742	105,964,088
TOTAL EQUITY		1,239,318,177	1,207,544,347

Wu Zhirui
Director

Yan Zhijiang
Director

Consolidated Statement of Changes in Equity

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

	Attributable to owners of the parent								
	Reserves						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits				
Balance as at 1 January 2021	680,000,000	69,383,972	60,095,872	16,276,267	261,738,838	1,087,494,949	142,495,580	1,229,990,529	
Net profit and total comprehensive income for the year	—	—	—	—	42,078,731	42,078,731	19,878,000	61,956,731	
Appropriation to surplus reserve	—	—	4,867,862	—	(4,867,862)	—	—	—	
Appropriation to general reserve	—	—	—	1,525,066	(1,525,066)	—	—	—	
Equity transactions with non-controlling interests	—	6,006,579	—	—	—	6,006,579	(39,372,792)	(33,366,213)	
Distribution to shareholders (Note 14)	—	—	—	—	(34,000,000)	(34,000,000)	(17,036,700)	(51,036,700)	
Balance as at 31 December 2021	680,000,000	75,390,551	64,963,734	17,801,333	263,424,641	1,101,580,259	105,964,088	1,207,544,347	
Balance as at 1 January 2022	680,000,000	75,390,551	64,963,734	17,801,333	263,424,641	1,101,580,259	105,964,088	1,207,544,347	
Net profit and total comprehensive income for the year	—	—	—	—	60,700,176	60,700,176	11,729,184	72,429,360	
Appropriation to surplus reserve	—	—	4,698,296	—	(4,698,296)	—	—	—	
Appropriation to general reserve	—	—	—	111,044	(111,044)	—	—	—	
Distribution to shareholders (Note 14)	—	—	—	—	(34,000,000)	(34,000,000)	(6,655,530)	(40,655,530)	
Balance as at 31 December 2022	680,000,000	75,390,551	69,662,030	17,912,377	285,315,477	1,128,280,435	111,037,742	1,239,318,177	

Consolidated Statement of Cash Flows

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

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		95,627,871	82,202,711
Adjustments for:			
Unrealised fair value changes in financial instruments at fair value through profit or loss		12,224,070	27,584,488
Depreciation of property and equipment		1,887,204	1,134,554
Depreciation of repossessed assets		81,073	337,804
Depreciation of right-of-use assets		721,002	803,287
Amortisation of other intangible assets		842,524	719,929
Impairment of loans and accounts receivable	6	7,848,513	10,940,047
Accreted interest on impaired loans		(20,451,278)	(15,575,990)
Provision for a contingent liability		444,000	12,670,258
Foreign exchange (gain)/loss, net		(254,230)	238,065
(Gain)/loss on disposals of items of property and equipment		(11,471)	176,559
Interest expense	5	2,904,204	2,093,884
		101,863,482	123,325,596
(Increase)/decrease in financial assets at fair value through profit or loss		(46,538,937)	51,514,188
Decrease in securities purchased under agreements to re-sell		—	3,800,000
Decrease/(increase) in loans and accounts receivable		196,498,257	(145,117,579)
Decrease in other assets		1,301,254	27,333,928
Increase in financial liabilities at fair value through profit or loss		380,440	9,975,899
Decrease in other payables		(4,717,836)	(6,376,085)
Net cash flows from operating activities before tax		248,786,660	64,455,947
Income tax paid		(33,597,639)	(20,980,510)
Net cash flows from operating activities		215,189,021	43,475,437
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, other intangible assets and other long-term assets		(1,622,420)	(4,554,359)
Disposal of items of property and equipment, other intangible assets and other long-term assets		39,262	1,385,762
Net cash flows used in investing activities		(1,583,158)	(3,168,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		100,433,959	105,988,296
Repayment of bank and other borrowings		(168,070,189)	(50,000,000)
Interest paid		(2,318,022)	(2,072,803)
Principal portion of lease payments		(879,415)	(559,947)
Dividends paid	14	(34,000,000)	(34,000,000)
Dividends paid to non-controlling shareholders		(6,655,530)	(17,036,700)
Acquisition of non-controlling interests		—	(33,366,213)
Net cash flows used in financing activities	29	(111,489,197)	(31,047,367)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		28,706,821	19,685,413
Effect of foreign exchange rate changes, net		254,230	(238,065)
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	131,077,717	28,706,821

Notes to Financial Statements

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

1. CORPORATE AND GROUP INFORMATION

Quanzhou Huixin Micro-credit Co., Ltd. (the “**Company**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 8 January 2010. The Company is a joint stock company incorporated in the PRC and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou City, Fujian Province, the PRC.

During the year, the principal activity of the Company and its subsidiaries (collectively referred to as the “**Group**”) was the provision of loans to small and medium enterprises (“**SMEs**”), micro-enterprises and entrepreneurial individuals, treasury operation and investment consulting service.

Information About Subsidiaries

The particulars of the Company’s subsidiaries are as follows:

Name	Place of established, and type of legal entity	Registered capital	Paid-up capital	Percentage of ownership interest held by the Company		Principal activities and place of operation
				Direct	Indirect	
Quanzhou Huixinxing Investment Co., Ltd.	Quanzhou, China Corporation	Renminbi (“ RMB ”) 50,000,000	RMB50,000,000	100.0%	—	Investment advisory services, Quanzhou
Quanzhou Lianche Finance Leasing Co., Ltd. (“ Lianche ”)	Quanzhou, China Corporation	United States dollars (“ USD ”) 10,000,000	USD10,000,000	—	75.0%	Finance leasing, Quanzhou
Jinjiang Huixin Microfinance Co., Ltd. (“ JJHX ”)	Jinjiang, China Corporation	RMB320,000,000	RMB320,000,000	76.8%	—	Provision of micro-credits, Jinjiang
Jinjiang Qiding Building Materials Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Wholesale of building materials, Jinjiang
Quanzhou Pujing Trading Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	—	—	100.0%	Wholesale, Jinjiang
Quanzhou Puxia Trading Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	—	—	100.0%	Wholesale, Jinjiang
Jinjiang Houdexin Information Service Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Information technology advisory services, Jinjiang
Hong Kong Huixinhang Co., Limited*	Hong Kong, China Corporation	Hong Kong dollars (“ HKD ”) 10,000,000	—	—	100.0%	Investment advisory services, Hong Kong
Fujian Huichangfu Real Estate Agency Co., Ltd.	Jinjiang, China Corporation	RMB10,000,000	RMB500,000	—	100.0%	Estate brokerage services, Jinjiang
Xiamen Anshenghe Trading Co., Ltd.	Xiamen, China Corporation	RMB5,078,000	RMB5,078,000	—	100.0%	Wholesale, Xiamen
Jinjiang Qinyuan Investment Consulting Co., Ltd.	Jinjiang, China Corporation	RMB5,000,000	RMB500,000	—	100.0%	Investment advisory services, Jinjiang

* Hong Kong Huixinhang Co., Limited was dissolved on 9 September 2022.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in RMB.

Basis of Consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

Notes to Financial Statements (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKFRS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual improvements to HKFRSs 2018–2020</i>	Amendment to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.1 Changes in Accounting Policies and Disclosures (Continued)

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

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

³ No mandatory effective date yet determined but available for adoption

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

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

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

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

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

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

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(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.2 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

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

3.3 Summary of Significant Accounting Policies

Business combinations and goodwill

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Fair value measurement (Continued)

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Property and equipment and depreciation (Continued)

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Buildings	20 years	5%	5%
Motor vehicles	4 years	5%	24%
Fixtures and furniture	3 to 10 years	0–5%	10% to 33%
Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets	0%	Over the shorter period of the lease term and the useful life of the assets

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Intangible assets (other than goodwill)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	1 to 3 years

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

The Group shall measure ECLs of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

The Group's financial liabilities include financial liabilities at fair value through profit or loss, other payables and interest-bearing bank loans and other borrowings.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are not restricted as to use, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

Securities purchased under agreements to re-sell

The Group enters into purchases of securities under agreements to re-sell substantially identical securities. The amounts advanced under these agreements are classified as financial assets measured at amortised cost, and reflected as assets in the statement of financial position. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

Provisions

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

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

Income tax

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

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

Notes to Financial Statements (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Government grants

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

Revenue recognition

Interest income

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

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Employee benefits

Employee retirement scheme

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Notes to Financial Statements (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.3 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in Renminbi Yuan, which is the Group's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

Repossessed assets

Repossessed assets are initially recognised at the lower of the fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans receivable together with the related impairment allowances are derecognised from the statement of financial position. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are presented as other assets.

3.4 Significant Accounting Judgements and Estimates

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.4 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty

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

Provision for expected credit losses on loans and accounts receivable

The Group's ECL calculations for loans and accounts receivable are outputs of internal models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns the probability of default ("PD") to the individual grades;
- The Group's criteria for assessing whether there has been a significant increase in credit risk;
- The segmentation of loans and accounts receivable when their ECLs are assessed on a collective basis;
- The development of the ECL models, including the various formulas and the choice of inputs; and
- The selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs to the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and to adjust them when necessary. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Deferred tax assets and liabilities and current income tax charge

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

3.4 Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

Fair values of financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates the fair value by using valuation techniques. These include the use of recent arm's length transactions, option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments. For the description of valuation techniques, please refer to note 37. Using different valuation techniques and parameter assumptions may lead to some differences of fair value estimations.

Provision

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

4. SEGMENT REPORTING

Almost all of the Group's revenue was generated from the micro-credit business. The Company's chief operating decision makers focus on the operating results of the Group as a whole. Accordingly, no segment analysis or information about the Group's products and services is presented.

Geographical information

Almost all of the Group's revenue generated from external customers and assets were located in Quanzhou, Fujian Province in the PRC during the year.

5. INTEREST INCOME

	2022	2021
Interest income on:		
Loans and accounts receivable	138,501,809	139,788,041
Interest expense on:		
Bank loans and margin loans	(2,822,646)	(2,067,942)
Lease liabilities	(81,558)	(25,942)
Interest income, net	135,597,605	137,694,157

Notes to Financial Statements (continued)

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

6. IMPAIRMENT LOSSES ON LOANS AND ACCOUNTS RECEIVABLE

The table below shows the ECL charges on the financial instruments for the year recorded in profit or loss:

Year ended 31 December 2022

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	(1,465,092)	(5,401,583)	14,715,188	7,848,513
Total impairment losses	(1,465,092)	(5,401,583)	14,715,188	7,848,513

Year ended 31 December 2021

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Loans and accounts receivable	1,466,714	(4,616,933)	14,090,266	10,940,047
Total impairment losses	1,466,714	(4,616,933)	14,090,266	10,940,047

7. NET INVESTMENT LOSSES

	2022	2021
Dividend and other income	6,880,303	7,162,454
Net realised (losses)/gains		
Financial assets at fair value through profit or loss	(6,973,886)	11,327,242
Unrealised losses		
Financial assets at fair value through profit or loss	(12,224,070)	(26,452,589)
Financial liabilities at fair value through profit or loss	—	(1,131,899)
Total	(12,317,653)	(9,094,792)

Notes to Financial Statements (continued)

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

8. PROVISION FOR A CONTINGENT LIABILITY

(A) Provision

	31 December 2022	31 December 2021
Litigation and arbitration	13,114,258	12,670,258

(B) Provision for a Contingent Liability

	2022	2021
At the beginning of the year	12,670,258	—
Additional provision	444,000	12,670,258
At the end of the year	13,114,258	12,670,258

In April 2019, the Company repossessed a 10% interest in Xiangyu Xinghong Technology Development Co., Ltd. (“Xiangyu Xinghong”) as a settlement for its non-performing loans with a carrying amount of RMB12.7 million. The interest in Xiangyu Xinghong was designated as a financial asset at fair value through profit or loss.

In November 2020, the Company was one of the defendants in a lawsuit filed by Xiangyu Xinghong fulfil its obligation of capital contribution to Xiangyu Xinghong with an amount of RMB12 million plus interest. As disclosed in note 16, a deposit with an amount of RMB12,191,129 was frozen by the court in 2020.

In November 2021, the court rendered the judgement of the aforesaid civil lawsuit and required the Company to fulfil its capital contribution obligation as a shareholder of Xiangyu Xinghong. In December 2021, the Company appealed to the High People’s Court of Fujian Province (“Fujian High Court”) regarding the civil lawsuit, and in February 2023, Fujian High Court released its final judgement and affirmed the original judgement.

As the date of approval of the financial statements, based on the assessment of the latest developments in the relevant litigation and arbitration, together with the information currently obtained, the Group made a provision for contingent liabilities amounting to RMB13,114,258 as of 31 December 2022 (31 December 2021: RMB12,670,258) in accordance with the relevant provisions of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Notes to Financial Statements (continued)

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

9. OTHER INCOME AND GAINS, NET

	2022	2021
Government grants	2,953,695	1,131,423
Interest from bank deposits	589,645	415,392
Gains on disposal of items of property and equipment	11,471	—
Others	1,355,779	1,556,551
Total	4,910,590	3,103,366

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2022	2021
Depreciation and amortisation	3,531,803	2,995,574
Staff costs:		
Salaries, bonuses and allowances	11,395,453	12,282,826
Other social welfare	2,194,292	2,222,315
Impairment losses on loans and accounts receivable	7,848,513	10,940,047
Auditor's remuneration	1,415,094	1,415,094

Notes to Financial Statements (Continued)

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

11. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have a chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name	Year ended 31 December 2022			
	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Wu Zhirui	—	954,400	65,009	1,019,409
Zhou Yongwei	—	—	—	—
Yan Zhijiang	—	586,200	72,187	658,387
Liu Aiqin	—	518,200	65,906	584,106
Non-executive Directors				
Jiang Haiying	—	—	—	—
Cai Rongjun	—	—	—	—
Independent Non-executive Directors				
Zhang Lihe	84,635	—	—	84,635
Lin Jianguo	84,635	—	—	84,635
Sun Leland Li Hsun	84,635	—	—	84,635
Supervisors				
Wang Shijie	10,000	340,186	36,904	387,090
Li Jiancheng	—	—	—	—
Ruan Cen	10,000	187,168	35,644	232,812
Chen Jinzhu	20,000	—	—	20,000
Wu Lindi	20,000	—	—	20,000
	313,905	2,586,154	275,650	3,175,709

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements (Continued)

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

11. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

Name	Year ended 31 December 2021			
	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Wu Zhirui	—	984,400	55,257	1,039,657
Zhou Yongwei	—	—	—	—
Yan Zhijiang	—	585,050	55,735	640,785
Liu Aiqin	—	507,260	55,735	562,995
Non-executive Directors				
Jiang Haiying	—	—	—	—
Cai Rongjun	—	—	—	—
Independent Non-executive Directors				
Zhang Lihe	83,762	—	—	83,762
Lin Jianguo	83,762	—	—	83,762
Sun Leland Li Hsun	83,762	—	—	83,762
Supervisors				
Wang Shijie ²	5,528	289,974	32,887	328,389
Li Jiancheng	—	—	—	—
Hong Lijun ¹	—	—	—	—
Ruan Cen	10,000	171,759	32,743	214,502
Chen Jinzhu	20,000	—	—	20,000
Wu Lindi	20,000	—	—	20,000
	306,814	2,538,443	232,357	3,077,614

¹ Resigned as a supervisor in June 2021

² Appointed as a supervisor in June 2021

Notes to Financial Statements (Continued)

31 December 2022
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12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors (2021: three directors), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2022	2021
Salaries, allowances and benefits in kind	932,185	803,350
Contributions to a defined contribution scheme	90,470	88,910
Total	1,022,655	892,260

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

	Number of Individuals	
	2022	2021
Nil to RMB1,000,000	2	2

13. INCOME TAX EXPENSE

	2022	2021
Current income tax	30,791,907	33,146,676
Deferred income tax	(7,593,396)	(12,900,696)
Total	23,198,511	20,245,980

The Group conducts all of its businesses in Mainland China and the applicable income tax rate is generally 25% in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008.

Notes to Financial Statements (Continued)

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

13. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Group is domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
Profit before tax	95,627,871	82,202,711
Tax at the applicable tax rate of 25%	23,906,968	20,550,678
Lower tax rate for specific provinces or enacted by local authority	(31,132)	509,703
Adjustments in respect of current tax of previous periods	36,668	118,977
Income not subject to tax	(812,598)	(866,094)
Expenses not deductible for tax purposes	97,683	86,128
Effect of change in tax rate on deferred tax	—	(155,720)
Tax losses utilised from previous periods	(4,675)	—
Tax losses not recognised	5,597	2,308
Total tax expense for the year at the Group's effective tax rate	23,198,511	20,245,980

14. DIVIDENDS

Pursuant to the resolution of the annual general meeting of the Company held on 10 June 2022, the Company distributed cash dividend of RMB34.0 million to the shareholders for the year ended 31 December 2021.

Pursuant to the resolution of the board of directors of the Company passed on 29 March 2023, a final dividend of approximately RMB34.0 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of the statutory surplus reserve and general reserve and is subject to approval by shareholders at the forthcoming annual general meeting.

Notes to Financial Statements (Continued)

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15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the year.

	2022	2021
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	60,700,176	42,078,731
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	680,000,000	680,000,000
Basic and diluted earnings per share	0.09	0.06

16. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	8,932	26,848
Cash at banks	142,981,366	39,518,381
Cash equivalents	278,548	1,352,721
Cash and cash equivalents in the statement of financial position	143,268,846	40,897,950
Less: Restricted current deposit	(12,191,129)	(12,191,129)
Cash and cash equivalents in the statement of cash flows	131,077,717	28,706,821

At the end of the reporting period, the cash and bank balances of the Group denominated in USD amounted to RMB4,727,726 (2021: RMB5,031,683). Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2021 and 31 December 2022, the restricted current deposit represents the deposit frozen by a court in connection with a lawsuit as disclosed in note 8.

Notes to Financial Statements (Continued)

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	31 December 2022	31 December 2021
At fair value through profit or loss			
Wealth management products	(a)	56,859,552	24,324,576
Listed equity investments	(b)	143,471,304	168,204,322
Listed funds		5,111,664	6,776,190
Designated as at fair value through profit or loss	(c)		
Unlisted equity investments and private equity funds		50,391,202	41,235,751
Purchased non-performing loans ("NPLs")		62,221,984	43,200,000
Total		318,055,706	283,740,839

- (a) Wealth management products purchased from time to time, which are held for a relatively short period of time, were offered by licensed commercial banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.
- (b) The listed equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.
- (c) The unlisted equity investments, private equity funds and purchased NPLs were designated as at fair value through profit or loss on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

Notes to Financial Statements (Continued)

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

18. LOANS AND ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Loans receivable	857,724,076	1,043,715,277
Lease receivables	465,508	1,220,260
Less: Unearned finance income	(73,546)	(118,104)
Net lease receivables	391,962	1,102,156
Less: Allowance for impairment		
— Individually assessed	(50,736,845)	(46,676,073)
— Collectively assessed	(7,985,553)	(14,852,228)
Total	799,393,640	983,289,132

The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. Overdue balances are reviewed regularly by management.

The Group's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2022, 17.8% (31 December 2021: 23.4%) of loans receivable were guaranteed loans, and 82.0% (31 December 2021: 71.4%) of loans receivable were collateral-backed loans. As at 31 December 2022, the Group's loans receivable include an amount of RMB82 million (31 December 2021: RMB63 million) to customers for their purpose of purchasing NPLs from asset management companies.

Notes to Financial Statements (Continued)

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

18. LOANS AND ACCOUNTS RECEIVABLE (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and accounts receivable is as follows:

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 1 January 2021	536,222,862	167,292,376	182,980,094	886,495,332
New	2,201,177,471	—	—	2,201,177,471
Derecognised (excluding write-off)	(1,996,731,920)	(23,627,520)	(35,700,452)	(2,056,059,892)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(63,264,636)	63,264,636	—	—
Transfer to Stage 3	(3,325,136)	(53,314,500)	56,639,636	—
Write-off	—	—	(741,114)	(741,114)
Recovery of loans and accounts receivable written-off	—	—	13,945,636	13,945,636
At 31 December 2021	674,078,641	153,614,992	217,123,800	1,044,817,433
New	1,211,048,393	—	—	1,211,048,393
Derecognised (excluding write-off)	(1,332,422,400)	(36,571,345)	(38,552,905)	(1,407,546,650)
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(9,166,974)	9,166,974	—	—
Transfer to Stage 3	(32,840,000)	(2,174,797)	35,014,797	—
Write-off	—	—	(10,190,416)	(10,190,416)
Recovery of loans and accounts receivable written-off	—	—	19,987,278	19,987,278
At 31 December 2022	510,697,660	124,035,824	223,382,554	858,116,038

The Group has conducted an assessment of ECL according to forward-looking information and used appropriate models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards, such as criteria for judging significant increases in credit risk, definition of credit-impaired financial assets, parameters for measuring ECLs and forward-looking information.

Notes to Financial Statements (Continued)

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18. LOANS AND ACCOUNTS RECEIVABLE (Continued)

	Stage 1 Collective	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2021	3,390,669	14,611,778	34,957,275	52,959,722
Net charge/(reversal) of the impairment	2,158,982	(4,491,072)	8,343,566	6,011,476
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(669,553)	669,553	—	—
Transfer to Stage 3	(22,715)	(4,860,901)	4,883,616	—
Accreted interest on impaired loans	—	—	(15,575,990)	(15,575,990)
Impact on year end ECLs of exposures transferred between stages during the year	—	4,065,487	863,084	4,928,571
Write-off and transfer out	—	—	(741,114)	(741,114)
Recovery of loans and accounts receivable written off	—	—	13,945,636	13,945,636
At 31 December 2021	4,857,383	9,994,845	46,676,073	61,528,301
Net charge/(reversal) of the impairment	(1,163,414)	(5,472,585)	11,331,038	4,695,039
Transfer to Stage 1	—	—	—	—
Transfer to Stage 2	(44,182)	44,182	—	—
Transfer to Stage 3	(257,496)	(144,566)	402,062	—
Accreted interest on impaired loans	—	—	(20,451,278)	(20,451,278)
Impact on year end ECLs of exposures transferred between stages during the year	—	171,386	2,982,088	3,153,474
Write-off and transfer out	—	—	(10,190,416)	(10,190,416)
Recovery of loans and accounts receivable written off	—	—	19,987,278	19,987,278
At 31 December 2022	3,392,291	4,593,262	50,736,845	58,722,398

Notes to Financial Statements (Continued)

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18. LOANS AND ACCOUNTS RECEIVABLE (Continued)

The table below illustrates the gross and net amounts of lease receivables the Group expects to receive in the following consecutive accounting years:

	31 December 2022	31 December 2021
Lease receivables		
Due within 1 year	465,508	1,096,612
Due in 1 to 2 years	—	81,596
Due in 2 to 3 years	—	42,052
	465,508	1,220,260
	31 December 2022	31 December 2021
Net lease receivables		
Due within 1 year	391,962	1,004,101
Due in 1 to 2 years	—	57,624
Due in 2 to 3 years	—	40,431
	391,962	1,102,156

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that was needed to be recorded as at the end of the reporting period.

Notes to Financial Statements (Continued)

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

19. PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:					
At 1 January 2021	6,917,546	1,532,901	2,948,247	2,725,777	14,124,471
Additions	210,734	—	1,115,101	2,555,049	3,880,884
Disposals	—	—	(263,256)	—	(263,256)
At 31 December 2021	7,128,280	1,532,901	3,800,092	5,280,826	17,742,099
Additions	—	562,196	14,618	—	576,814
Disposals	—	(427,566)	(53,388)	—	(480,954)
At 31 December 2022	7,128,280	1,667,531	3,761,322	5,280,826	17,837,959
Accumulated depreciation:					
At 1 January 2021	24,182	1,376,450	1,475,578	2,725,777	5,601,987
Depreciation charge for the year	339,303	79,806	382,320	333,125	1,134,554
Disposals	—	—	(237,743)	—	(237,743)
At 31 December 2021	363,485	1,456,256	1,620,155	3,058,902	6,498,798
Depreciation charge for the year	338,565	109,831	606,926	831,882	1,887,204
Disposals	—	(406,188)	(46,975)	—	(453,163)
At 31 December 2022	702,050	1,159,899	2,180,106	3,890,784	7,932,839
Net carrying amount:					
At 31 December 2022	6,426,230	507,632	1,581,216	1,390,042	9,905,120
At 31 December 2021	6,764,795	76,645	2,179,937	2,221,924	11,243,301

Notes to Financial Statements (Continued)

31 December 2022
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20. LEASES

The Group as a lessee

The Group has lease contracts for various items of property used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties
At 1 January 2021	250,181
Additions	2,055,628
Depreciation charge	(803,287)
Termination	(4,752)
At 31 December 2021	1,497,770
Additions	335,426
Depreciation charge	(721,002)
At 31 December 2022	1,112,194

(b) Lease liabilities

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

	Lease liabilities
Carrying amount at 1 January 2021	152,214
New leases	2,055,628
Accretion of interest recognised during the year	25,942
Disposals and others	(20,188)
Payments	(559,947)
Carrying amount at 31 December 2021	1,653,649
New leases	335,426
Accretion of interest recognised during the year	81,558
Payments	(879,415)
Carrying amount at 31 December 2022	1,191,218

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

Notes to Financial Statements (Continued)

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

20. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022	2021
Interest on lease liabilities	81,558	25,942
Depreciation charge for right-of-use assets	721,002	803,287
Total amount recognised in profit or loss	802,560	829,229

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements. At 31 December 2022, there were no future cash outflows relating to leases that have not yet commenced.

21. GOODWILL

Cost at 1 January 2021, net of accumulated impairment	14,729,281
Impairment during the year	—
At 31 December 2021	14,729,281
At 31 December 2021:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281
Cost at 1 January 2022, net of accumulated impairment	14,729,281
Impairment during the year	—
At 31 December 2022	14,729,281
At 31 December 2022:	
Cost	16,950,298
Accumulated impairment	(2,221,017)
Net carrying amount	14,729,281

21. GOODWILL (Continued)**Impairment testing of goodwill**

Goodwill acquired through business combinations is allocated to the acquired subsidiaries as the cash-generating unit for impairment testing.

- Finance lease cash-generating unit; and
- Micro-credit cash-generating unit.

Finance lease cash-generating unit

In 2019, the Group assessed the impairment of goodwill and determined that the carrying amount of goodwill of RMB2,221,017 arising from the acquisition of Lianche was higher than its recoverable amount. As a result, an impairment loss of RMB2,221,017 was recognised.

Micro-credit cash-generating unit

The recoverable amount of the micro-credit cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13%. As at 31 December 2022, the Group assessed that the impairment of goodwill and the recoverable amount exceeded the carrying amount, and hence the goodwill was not regarded as impaired.

The carrying amounts of goodwill allocated to each of the cash-generating units are as follow:

	31 December 2022	31 December 2021
Finance lease	2,221,017	2,221,017
Micro-credit	14,729,281	14,729,281
Less: Accumulated impairment	(2,221,017)	(2,221,017)
	14,729,281	14,729,281

Assumptions were used in the value-in-use calculation for 31 December 2022. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate — The discount rate used reflects specific risks relating to the relevant unit.

The values assigned to the discount rate is comparable with external information sources.

Notes to Financial Statements (Continued)

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22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Gross deferred tax assets

	Impairment allowance for loans	Fair value adjustments of financial assets at fair value through profit or loss	Fair value adjustments of financial liabilities at fair value through profit or loss	Provision for contingent liabilities	Total
At 1 January 2021	7,700,102	3,063,683	—	—	10,763,785
Recognised in profit or loss	3,601,653	2,180,757	282,975	3,167,564	9,232,949
At 31 December 2021	11,301,755	5,244,440	282,975	3,167,564	19,996,734
Recognised in profit or loss	4,982,319	2,370,820	—	111,000	7,464,139
At 31 December 2022	16,284,074	7,615,260	282,975	3,278,564	27,460,873

Gross deferred tax liabilities

	Fair value adjustments of financial assets at fair value through profit or loss
At 1 January 2021	4,951,836
Recognised in profit or loss	(3,667,747)
At 31 December 2021	1,284,089
Recognised in profit or loss	(129,257)
At 31 December 2022	1,154,832

Notes to Financial Statements (Continued)

31 December 2022
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22. DEFERRED TAX (Continued)

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

	2022	2021
Net deferred tax assets recognised in the consolidated statement of financial position	27,041,209	19,568,335
Net deferred tax liabilities recognised in the consolidated statement of financial position	735,168	855,690

The Group has tax losses arising in Mainland China of RMB359,715 (2021: RMB546,711) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

23. OTHER ASSETS

	Note	31 December 2022	31 December 2021
Repossessed assets	(a)	8,611,973	8,693,046
Prepaid tax		—	327,789
Deposit payment	(b)	3,000,000	2,600,000
Other receivables		125,027	680,267
Deferred and prepaid expenses		162,959	981,183
		11,899,959	13,282,285

Notes:

- (a) Repossessed assets are properties located at Quanzhou City, Fujian Province in the PRC. The contracts which effect the repossession of the properties have been signed and registered with the local authority. The certificates of some properties with a carrying amount of RMB8,060,000 (31 December 2021: RMB8,060,000) have not been obtained because these properties are still under development.
- (c) As at 31 December 2022 and 31 December 2021, deposit payments represents deposit paid to the bankruptcy administrator of Sichuan Shinpire Ganoderma Incidum Group Co., Ltd, a company that is currently undergoing bankruptcy and restructuring. In November 2021, the bankruptcy administrator initiated a process to publicly solicit investors to participate in the restructuring of the company. As at 31 December 2022, a deposit of RMB3.0 million (31 December 2021: RMB2.6 million) is required in order to participate in this process, which will be returned if the participants did not become the company's investors. As the date of approval of the financial statements, this transaction was still in progress.

Notes to Financial Statements (Continued)

31 December 2022
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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022	31 December 2021
Guaranteed bank loans repayable:		
Within one year	30,000,000	98,062,500
Margin loans payable:		
Within one year	8,919,190	7,988,296
	38,919,190	106,050,796

As at 31 December 2022, the annual interest rates of the loans above were 5.30% and 5.00% (31 December 2021: 4.50%, 5.00% and 5.30%).

The interest-bearing bank borrowings of RMB30 million as at 31 December 2022 were guaranteed by one of the shareholders, Fujian Septwolves Group Co., Ltd. (“**Septwolves Group**”).

The margin loans payable of RMB8.9 million as at 31 December 2022 (31 December 2021: 8.0 million) were secured by the pledge of certain listed equity investments amounting to RMB27,513,475 (31 December 2021: RMB38,404,305).

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Designated as at fair value through profit or loss		
Liabilities associated with transferred financial assets that were not derecognised	10,356,339	9,975,899

The liabilities associated with transferred financial assets that were not derecognised were designated as at fair value through profit or loss as the transferred financial assets were measured on a fair value basis, in accordance with risk management and investment strategies of the Group. Please refer to note 35 for more details.

Notes to Financial Statements (Continued)

31 December 2022
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26. OTHER PAYABLES

	31 December 2022	31 December 2021
Payrolls payable	4,643,082	4,381,584
Value-added tax, and surcharges payable	1,750,143	2,434,942
Deposits received	100,000	4,910,000
Others	3,402,063	2,978,901
	9,895,288	14,705,427

27. SHARE CAPITAL

	31 December 2022	31 December 2021
Issued and fully paid ordinary shares of RMB1 each	680,000,000	680,000,000

28. RESERVES

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

Capital reserve

The capital reserve comprises share premium, which represents the difference between the par value of the shares of the Group and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

The surplus reserve comprises the statutory surplus reserve and the discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of their net profit, as determined under China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, the statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

Notes to Financial Statements (Continued)

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28. RESERVES (Continued)

Surplus reserve (Continued)

After making the appropriation to the statutory surplus reserve, the Company and its subsidiaries may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

General reserve

In accordance with the relevant regulations, the Company and one of its subsidiaries JJHX are required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets. Such reserve is not available for profit distribution or transfer to capital. As at 31 December 2022, the balance of the general reserve of the Group was RMB17.9 million (31 December 2021: RMB17.8 million), which is not lower than 1.5% of its risk assets.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB335,426 (2021: RMB2,055,628) and RMB335,426 (2021: RMB2,055,628), respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2022	106,050,796	1,653,649	—	—
Changes from financing cash flows	(69,954,252)	(879,415)	(34,000,000)	(6,655,530)
New leases	—	335,426	—	—
2021 final dividends payable	—	—	34,000,000	6,655,530
Interest expense	2,822,646	81,558	—	—
At 31 December 2022	38,919,190	1,191,218	—	—

Notes to Financial Statements (Continued)

31 December 2022
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29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

	Bank borrowings and interest payable	Lease liabilities	Amounts due to shareholders	Amounts due to non-controlling shareholders
At 1 January 2021	50,067,361	152,214	—	—
Changes from financing cash flows	53,915,493	(559,947)	(34,000,000)	(50,402,913)
New leases	—	2,055,628	—	—
Disposals and others	—	(20,188)	—	—
2020 final dividends payable	—	—	34,000,000	17,036,700
Acquisition of non-controlling interests	—	—	—	33,366,213
Interest expense	2,067,942	25,942	—	—
At 31 December 2021	106,050,796	1,653,649	—	—

(c) Total cash outflow for leases

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

	2022	2021
Within financing activities	879,415	559,947

30. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel of the Group

	2022	2021
Salaries and other short-term employee benefits	2,261,902	2,243,437

Further details of non-executive directors' and supervisors' emoluments are included in note 11 to the consolidated financial statements.

(b) Loan guarantee

The interest-bearing bank borrowings of RMB30 million as at 31 December 2022 (31 December 2021: RMB98 million) were guaranteed by Septwolves Group. The guarantee fee of RMB130,200 (2021: RMB283,396) was accrued during the year, which was based on a fixed rate of the balance of the interest-bearing borrowings.

Notes to Financial Statements (Continued)

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30. RELATED PARTY DISCLOSURES (Continued)

(c) Loan facilitation services

During the year, the Group provided loan facilitation services to related parties, Fujian Baiying Pawn Co., Ltd., (former name: Fujian Yuanheng Pegadaian Co., Ltd.) and received a fee of RMB309,980 (2021: RMB84,257), and Xiamen Siming Baiying Micro-credit Co., Ltd. (“**Siming Baiying**”) and received a fee of RMB33,600 (2021: RMB68,472).

(d) Entrust loans

Siming Baiying was contracted to manage the administration and collection of entrusted loans, on behalf of the Group. In this regard, Siming Baiying granted loans to borrowers, as an intermediary, at the direction of the Group. The Group determined both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. As at 31 December 2022, the outstanding balance of the loans administered by Siming Baiying was RMB7.6 million (31 December 2021: Nil).

(e) Lease and property management fee

	2022	2021
Lease payment		
Xiamen Septwolves Asset Management Co., Ltd.	123,358	120,000
Quanzhou Henghe Investment Development Co., Ltd.	696,313	—
Lease income		
Fujian Septwolves Group Finance Co., Ltd	93,963	—
Property management fee		
Xiamen Huakaifugui Property Management Co., Ltd.	39,214	41,729
Quanzhou JixiangFugui Property Management Co., Ltd.	93,665	—

(f) Outstanding balances with related parties

As at 31 December 2022, the Group prepaid a guarantee fee to Septwolves Group, with the outstanding balance of RMB29,673 (31 December 2021: RMB109,912). The balance is both unsecured and interest-free.

31. CONTINGENT LIABILITIES

As at 31 December 2022, there were no significant contingent liabilities except as disclosed in note 8.

Notes to Financial Statements (Continued)

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32. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2022	31 December 2021
Contracted, but not provided for:		
Leasehold Improvements	—	74,037
Software	—	204,500
	—	278,537

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2022	31 December 2021
Financial assets		
Financial assets at fair value through profit or loss	318,055,706	283,740,839
Financial assets at amortised cost		
— Cash and cash equivalents	143,268,846	40,897,950
— Loans and accounts receivable	799,393,640	983,289,132
— Other receivables	3,125,027	3,280,267
	1,263,843,219	1,311,208,188
Financial liabilities		
Financial liabilities at fair value through profit or loss	10,356,339	9,975,899
Financial liabilities at amortised cost		
— Interest-bearing bank and other borrowings	38,919,190	106,050,796
— Other payables	3,502,063	7,888,901
	52,777,592	123,915,596

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34. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Group manages the loans granted to SMEs, microenterprises and entrepreneurial individuals with the same policies and procedures.

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

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

In the lending business, the Group adopts a loan classification approach to manage its loan portfolio risk. The Group's loans are categorised as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

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

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

The Group is exposed to credit risk primarily associated with cash at banks, securities purchased under agreements to re-sell, loans and accounts receivable and other receivables. The credit risk of these assets mainly arises from the counterparties' failure to discharge their contractual obligations and the maximum exposure equals the carrying amount.

34. FINANCIAL RISK MANAGEMENT (Continued)**(a) Credit risk (Continued)****Impairment assessment**

The main consideration for the loan impairment assessment includes whether any payments of principal or interest are overdue or whether there are any liquidity problems of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

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

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

Criteria for judging significant increases in credit risk

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

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

Quantitative criteria

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

Qualitative criteria

- Significant adverse change in debtors' operation or financial status
- Be classified into the Special Mention category within the five-tier loan classification

Backstop criteria

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

Notes to Financial Statements (Continued)

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34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Definition of credit-impaired financial asset

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

- Internal rating of the borrower indicating default or near-default;
- Significant financial difficulty of the issuer or the customer;
- The debtor leaves any of the loans receivable of the Group overdue for more than 90 days; and
- It is becoming probable that the customer will enter bankruptcy or other financial restructuring.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group mainly evaluate the future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Parameters of ECL measurement

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

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Forward-looking information

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

Collateral and other credit enhancements

The amount and the type of collateral required depend on the assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The collateral obtained by the Group mainly consists of mortgages on land use rights, building ownership rights or equipment and pledges of shares. All collateral is registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of the collateral regularly.

Although collateral can mitigate credit risk to a certain extent, the Group mostly grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

Notes to Financial Statements (Continued)

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34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral and other credit enhancements (Continued)

The tables below summarise the gross carrying amount of impaired loans by type of collateral, guarantee and overdue period.

	31 December 2022				
	Not overdue	Overdue for 3 months or less	Overdue for 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	—	—	—	101,401,829	101,401,829
Collateral-backed loans with guarantees	—	1,204,038	35,300,000	85,476,687	121,980,725
Total	—	1,204,038	35,300,000	186,878,516	223,382,554

	31 December 2021				
	Not overdue	Overdue for 3 months or less	Overdue for 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	—	—	83,500,000	35,203,275	118,703,275
Collateral-backed loans with guarantees	—	279,253	23,014,500	75,126,772	98,420,525
Total	—	279,253	106,514,500	110,330,047	217,123,800

Notes to Financial Statements (Continued)

31 December 2022
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34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit quality of loans receivable

A loan or advance is identified as an impaired loan if there is objective evidence indicating that the loan's estimated future cash flows are influenced by one or several factors and the impact can be estimated reliably. The Group closely monitors the credit quality of the loans, and uses measures such as disposal of impaired loans to mitigate the overall credit risk exposure.

The Group manages the credit quality of financial assets using credit ratings. The table below shows the credit quality of loans receivable exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 December 2022	634,733,484	—	223,382,554	858,116,038
31 December 2021	826,208,633	1,485,000	217,123,800	1,044,817,433

According to past experience, the Group does not recognise individual allowance for these loans receivable that are neither past due nor impaired or past due but not impaired since there is no significant change in credit quality and the amount is expected to be recovered in full.

Analysis of risk concentration

Since the loans are granted to third parties whose creditworthiness has been assessed by the Group, no collateral is required in certain cases. The Group manages its exposure to the concentration of credit risk by diversifying its portfolio in terms of customer type and industry. Because its business operations are subject to the geographic restrictions of its operating licence, the Group is exposed to the credit risk of geographic concentration. However, although its customers are concentrated in Quanzhou City, the Group provides loans to a wide variety of customers that operate in different industries in order to mitigate its exposure to such risk.

Maximum exposure to credit risk before collateral held or other enhancements

The table below shows the maximum exposure to credit risk based on the Group's credit policy.

	31 December 2022	31 December 2021
Cash and cash equivalents*	143,259,914	40,871,102
Loans and accounts receivable	799,393,640	983,289,132
Other receivables	3,125,027	3,280,267
Total	945,778,581	1,027,440,501

* Excluding cash on hand

Notes to Financial Statements (Continued)

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Maximum exposure to credit risk before collateral held or other enhancements (Continued)

The table above represents the worst-case scenario of credit risk exposure of the Group as at 31 December 2022 and 2021, without taking into account any collateral held, or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(b) Foreign currency risk

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits and listed equity investments denominated in HKD and USD.

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

2022

Changes in exchange rates	Impact on profit before tax	Impact on equity
5% appreciation against RMB	2,833,235	2,833,235
5% depreciation against RMB	(2,833,235)	(2,833,235)

2021

Changes in exchange rates	Impact on profit before tax	Impact on equity
5% appreciation against RMB	3,274,578	3,274,578
5% depreciation against RMB	(3,274,578)	(3,274,578)

The above impact on equity represents adjustments to profit before tax.

(c) Interest rate risk

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

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities.

Notes to Financial Statements (Continued)

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

The assets and liabilities are included at the carrying amount and categorised by the earlier of the contractual repricing and the maturity date.

	31 December 2022					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash and cash equivalents	—	—	—	—	143,259,914	143,259,914
Loans and accounts receivable	172,645,709	202,750,753	388,834,409	35,162,769	—	799,393,640
Subtotal	172,645,709	202,750,753	388,834,409	35,162,769	143,259,914	942,653,554
Financial liabilities:						
Interest-bearing bank and other borrowings	—	—	8,919,190	—	30,000,000	38,919,190
Subtotal	—	—	8,919,190	—	30,000,000	38,919,190
Exposure to interest sensitivity	172,645,709	202,750,753	379,915,219	35,162,769	113,259,914	903,734,364
	31 December 2021					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets:						
Cash and cash equivalents	—	—	—	—	40,871,102	40,871,102
Loans and accounts receivable	171,860,606	187,644,139	558,909,575	64,874,812	—	983,289,132
Subtotal	171,860,606	187,644,139	558,909,575	64,874,812	40,871,102	1,024,160,234
Financial liabilities:						
Interest-bearing bank and other borrowings	—	—	7,988,296	—	98,062,500	106,050,796
Subtotal	—	—	7,988,296	—	98,062,500	106,050,796
Exposure to interest sensitivity	171,860,606	187,644,139	550,921,279	64,874,812	(57,191,398)	918,109,438

Notes to Financial Statements (Continued)

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk (Continued)

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

Changes in variables	2022 Impact on profit before tax	2021 Impact on profit before tax
+ 50 basis points	2,165,675	1,567,964
- 50 basis points	(2,165,675)	(1,567,964)

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (note 17) and financial liabilities at fair value through profit or loss (note 25). As at 31 December 2022, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB31.8 million (31 December 2021: RMB28.4 million). As at 31 December 2022, a 10% increase in the fair value of the financial liabilities, with all other variables held constant, would increase financial liabilities at fair value through profit or loss by RMB1.0 million (31 December 2021: RMB1.0 million).

(e) Liquidity risk

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

The Group seeks to manage its liquidity risk by circulating liquidity facilities. The facilities take into account the maturity dates of financial instruments and estimated cash flows from operation.

Notes to Financial Statements (Continued)

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34. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	31 December 2022						Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Undated	
Financial assets:							
Cash and cash equivalents*	131,077,717	—	—	—	—	—	131,077,717
Financial assets at fair value through profit or loss	56,859,552	—	—	—	—	261,196,154	318,055,706
Loans and accounts receivable	—	223,382,554	221,034,246	379,577,664	66,723,622	—	890,718,086
Other assets	7,413	—	268,394	223,281	2,625,939	—	3,125,027
Subtotal	187,944,682	223,382,554	221,302,640	379,800,945	69,349,561	261,196,154	1,342,976,536
Financial liabilities:							
Interest-bearing bank and other borrowings	—	—	30,230,955	8,979,890	—	—	39,210,845
Financial liabilities at fair value through profit or loss	—	—	—	—	—	10,356,339	10,356,339
Lease liabilities	—	—	308,970	898,797	—	—	1,207,767
Other payables	—	—	2,887,779	—	614,284	—	3,502,063
Subtotal	—	—	33,427,704	9,878,687	614,284	10,356,339	54,277,014
Net	187,944,682	223,382,554	187,874,936	369,922,258	68,735,277	250,839,815	1,288,699,522

* Excluding a current deposit in a restricted account

Notes to Financial Statements (Continued)

31 December 2022
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34. FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity risk (Continued)

	31 December 2021						Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Undated	
Financial assets:							
Cash and cash equivalents*	28,706,821	—	—	—	—	—	28,706,821
Financial assets at fair value through profit or loss	24,324,577	—	—	—	—	259,416,262	283,740,839
Loans and accounts receivable	—	218,608,800	216,935,693	597,590,485	66,002,497	—	1,099,137,475
Other assets	7,413	—	101,011	3,022,865	148,978	—	3,280,267
Subtotal	53,038,811	218,608,800	217,036,704	600,613,350	66,151,475	259,416,262	1,414,865,402
Financial liabilities:							
Interest-bearing bank and other borrowings	—	—	51,122,020	56,281,255	—	—	107,403,275
Financial liabilities at fair value through profit or loss	—	—	—	—	—	9,975,899	9,975,899
Lease liabilities	—	—	110,926	304,425	1,350,000	—	1,765,351
Other payables	—	—	1,983,082	964,703	4,941,116	—	7,888,901
Subtotal	—	—	53,216,028	57,550,383	6,291,116	9,975,899	127,033,426
Net	53,038,811	218,608,800	163,820,676	543,062,967	59,860,359	249,440,363	1,287,831,976

* Excluding a current deposit in a restricted account

(f) Capital management

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

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

Notes to Financial Statements (Continued)

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital management (Continued)

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

	31 December 2022	31 December 2021
Interest-bearing bank and other borrowings	38,919,190	106,050,796
Less: Cash and cash equivalents	143,268,846	40,897,950
Net debt	(104,349,656)	65,152,846
Share capital	680,000,000	680,000,000
Reserves	162,964,958	158,155,618
Retained profits	285,315,477	263,424,641
Capital	1,128,280,435	1,101,580,259
Capital and net debt	1,023,930,779	1,166,733,105
Gearing ratio	-10.2%	5.6%

35. TRANSFER OF FINANCIAL ASSETS

In December 2021, the Group entered into an agreement with a third party to transfer one of its NPL investments (the “**Transferred NPL**”) for a consideration of RMB27 million, of which RMB19 million plus interests will be paid within 12 months. Subsequent to the transfer, the Group has retained the legal title and rights to dispose the Transferred NPL at its discretion as well as the contractual rights to receive the cash flows of the Transferred NPL, until the Group collect the remaining amounts. As of 31 December 2021, in the opinion of the directors, the transfer did not meet the derecognition criteria and therefore it continued to recognise the Transferred NPL as financial assets at fair value through profit or loss at its full carrying amount of RMB27 million and accordingly the associated liability as financial liabilities at fair value through profit or loss.

In November 2022, the Group entered into a supplementary agreement with the third party, which extend the payments for 12 months.

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36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities classified into relevant maturity groupings based on the remaining period from the financial reporting date to the contractual maturity date. For purposes of the table set forth, “**Loans and accounts receivable**” are considered overdue only if principal payments are overdue. In addition, for loans and accounts receivable that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity:

	31 December 2022					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents*	131,077,717	—	—	—	—	131,077,717
Financial assets at fair value through profit or loss	56,859,552	261,196,154	—	—	—	318,055,706
Loans and accounts receivable	—	92,936,271	203,291,438	382,788,751	120,377,180	799,393,640
Other	170,372	—	268,394	223,281	64,573,475	65,235,522
Subtotal	188,107,641	354,132,425	203,559,832	383,012,032	184,950,655	1,313,762,585
Liabilities:						
Interest-bearing bank and other borrowings	—	—	30,000,000	8,919,190	—	38,919,190
Financial liabilities at fair value through profit or loss	—	10,356,339	—	—	—	10,356,339
Lease liabilities	—	—	314,578	876,640	—	1,191,218
Other	—	—	21,705,080	13,114,258	1,349,452	36,168,790
Subtotal	—	10,356,339	52,019,658	22,910,088	1,349,452	86,635,537
Net	188,107,641	343,776,086	151,540,174	360,101,944	183,601,203	1,227,127,048

* Excluding a current deposit in a restricted account

Notes to Financial Statements (Continued)

31 December 2022
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36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

	31 December 2021					Total
	On demand	Overdue/ Undated	Less than 3 months	3 to less than 12 months	After 12 months	
Assets:						
Cash and cash equivalents*	28,706,821	—	—	—	—	28,706,821
Financial assets at fair value through profit or loss	24,324,577	259,416,262	—	—	—	283,740,839
Loans and accounts receivable	—	102,623,681	209,368,086	533,719,364	137,578,001	983,289,132
Other	988,596	—	101,011	3,350,654	56,317,692	60,757,953
Subtotal	54,019,994	362,039,943	209,469,097	537,070,018	193,895,693	1,356,494,745
Liabilities:						
Interest-bearing bank and other borrowings	—	—	50,062,500	55,988,296	—	106,050,796
Financial liabilities at fair value through profit or loss	—	9,975,899	—	—	—	9,975,899
Lease liabilities	—	—	130,929	357,458	1,165,262	1,653,649
Other	—	—	24,029,416	964,703	18,467,064	43,461,183
Subtotal	—	9,975,899	74,222,845	57,310,457	19,632,326	161,141,527
Net	54,019,994	352,064,044	135,246,252	479,759,561	174,263,367	1,195,353,218

* Excluding a current deposit in a restricted account

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The Group's financial assets mainly include cash at banks, securities purchased under agreements to re-sell, financial assets at fair value through profit or loss and loans and accounts receivable.

The Group's financial liabilities mainly include interest-bearing bank borrowings and other borrowings, lease liabilities and other payables.

Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

Notes to Financial Statements (Continued)

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group's finance department headed by the finance director is responsible for determining the policies and procedures for the fair value measurements of financial instruments. The finance director reports directly to the general manager and the audit committee. At each reporting date, the Group analyses the movements in the values of financial instruments. The valuation is reviewed and approved by the general manager.

The fair values of unlisted equity investments and private equity funds were determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; making reference to the current market value of another instrument that is substantially the same, and net assets making as much use of available and supportable market data as possible. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	205,442,520	—	112,613,186	318,055,706
Financial liabilities at fair value through profit or loss	—	—	10,356,339	10,356,339

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets at fair value through profit or loss	167,221,341	—	116,519,498	283,740,839
Financial liabilities at fair value through profit or loss	—	—	9,975,899	9,975,899

Notes to Financial Statements (Continued)

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

In 2022, there were no transfers between Level 1 and Level 2 (2021: Nil).

Significant unobservable input value in Level 3 fair value measurement

As at 31 December 2022	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Unlisted equity investments	8,515,062	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	41,876,140	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Purchased NPLs	62,221,984	Recent transaction price	N/A	N/A
Financial liabilities associated with transferred financial assets that were not derecognised	(10,356,339)	Recent transaction price	N/A	N/A

Notes to Financial Statements (Continued)

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Significant unobservable input value in Level 3 fair value measurement (Continued)

As at 31 December 2021	Fair value	Valuation techniques and key inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
Listed equity investments with disposal restrictions within a specific period	32,083,747	Option pricing model	Volatility	The higher the volatility, the lower the fair value
Unlisted equity investments	6,034,481	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	14,201,270	Adjusted net asset value	Discount for lack of liquidity	The lower the discount, the higher the fair value
Private equity funds	21,000,000	Recent transaction price	N/A	N/A
Purchased NPLs	43,200,000	Recent transaction price	N/A	N/A
Financial liabilities associated with transferred financial assets that were not derecognised	(9,975,899)	Recent transaction price	N/A	N/A

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
As at 1 January 2021	19,089,196	—
Total gains/(losses) recognised in profit or loss	1,146,555	(1,131,899)
Purchases or issue	96,283,747	(8,844,000)
As at 31 December 2021	116,519,498	(9,975,899)
Total losses recognised in profit or loss	(258,671)	—
Purchases or issue	19,021,984	(380,440)
Transfer out of Level 3	(22,669,624)	—
As at 31 December 2022	112,613,187	(10,356,339)

38. EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in other notes, the Group had no significant event after the reporting period.

Notes to Financial Statements (Continued)

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39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2022	31 December 2021
ASSETS		
Cash and cash equivalents	119,067,606	16,643,082
Loans and accounts receivable	332,726,325	560,318,789
Property and equipment	1,422,998	1,139,466
Right-of-use assets	1,083,436	1,469,268
Investments in subsidiaries	340,888,345	340,888,345
Deferred tax assets	20,849,958	15,036,506
Other assets	293,772,870	217,387,207
TOTAL ASSETS	1,109,811,538	1,152,882,663
LIABILITIES		
Interest-bearing bank borrowings	—	50,062,500
Lease liabilities	1,161,116	1,623,429
Income tax payable	2,405,380	8,477,376
Provision	13,114,258	12,670,258
Other payables	5,266,512	5,167,790
TOTAL LIABILITIES	21,947,266	78,001,353
NET ASSETS	1,087,864,272	1,074,881,310
EQUITY		
Share capital	680,000,000	680,000,000
Reserves	155,322,269	150,623,973
Retained profits	252,542,003	244,257,337
TOTAL EQUITY	1,087,864,272	1,074,881,310

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

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

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

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2021	69,383,972	60,095,872	16,276,267	145,756,111
Appropriation to surplus reserve	—	4,867,862	—	4,867,862
Appropriation to general reserve	—	—	—	—
Balance as at 31 December 2021 and 1 January 2022	69,383,972	64,963,734	16,276,267	150,623,973
Appropriation to surplus reserve	—	4,698,296	—	4,698,296
Appropriation to general reserve	—	—	—	—
Balance as at 31 December 2022	69,383,972	69,662,030	16,276,267	155,322,269

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's board of directors on 29 March 2023.

Financial Summary

The following is a summary of the assets and liabilities of our Group as of 31 December 2018, 2019, 2020, 2021 and 2022, and of the results of our Group for each of the years ended 31 December 2018, 2019, 2020, 2021 and 2022.

	Year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
RESULTS					
Interest income	156,789	170,814	146,251	139,788	138,502
Profit before tax	114,240	98,151	70,790	82,203	95,628
Income tax expense	(26,256)	(23,619)	(16,909)	(20,246)	23,199
Net profit and total comprehensive income for the year	87,983	74,532	53,881	61,957	72,429
ASSETS AND LIABILITIES					
Total assets	1,292,334	1,320,788	1,310,287	1,368,686	1,325,954
Total liabilities	226,107	91,922	80,296	161,142	86,636
Total equity	1,066,227	1,228,866	1,229,991	1,207,544	1,239,318

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“AGM”	the annual general meeting of the Company to be held at 35/F, Huijin International Center, No. 105 Daxing Street, Fengze District, Quanzhou City, Fujian Province, the PRC at 10:30 a.m. on Friday, 9 June 2023
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was formed by a merger of former China Banking Regulatory Commission (中國銀行業監督管理委員會) and former China Insurance Regulatory Commission (中國保險業監督管理委員會) in 2018; or, where the context so requires, China Banking Regulatory Commission
“China” or “PRC”	the People’s Republic of China, for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”	Quanzhou Huixin Micro-credit Co., Ltd.*(泉州匯鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor company, Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區匯鑫小額貸款有限公司), on 18 August 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 1577)
“COVID-19”	Coronavirus disease 2019
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid in RMB by PRC nationals and/or PRC-incorporated entities

Definitions (continued)

“Finance Businesses”	certain other finance-related businesses in which the Substantial Shareholders and their respective close associates had interests, namely the provision of financing guarantee services through Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司), the provision of finance leasing services through Xiamen Baiying Finance Leasing Co., Ltd.* (廈門市百應融資租賃有限公司), the provision of pawn loan services through Xiamen Borong Pawn Co., Ltd.* (廈門博融典當有限公司) and Fujian Yuanheng Pawn Co., Ltd.* (福建元亨典當有限公司), and the provision of microcredit services in Xiamen City through Xiamen Siming Baiying Microcredit Co., Ltd.* (廈門思明百應小額貸款有限公司), and the provision of settlement services, entrusted loans services, loans made to and deposits taken from the subsidiaries or associated companies of Fujian Septwolves Group or such other companies as approved by or registered with China Banking Regulatory Commission Fujian Bureau* (中國銀行業監督管理委員會福建監管局) through Fujian Septwolves Group Finance Co., Ltd.* (福建七匹狼集團財務有限公司)
“Fujian” or “Fujian Province”	Fujian Province (福建省), a province located in the southeastern coast of China
“Fujian Haoxiang Gardening”	Fujian Haoxiang Gardening Building Decoration Engineering Co., Ltd.* (福建豪翔園林建設有限責任公司)
“Fujian Huian Haoda”	Fujian Huian Haoda Construction Company Limited* (福建省惠安豪達建設有限公司), formerly known as Fujian Huian Haoda Stoning Company Limited* (福建省惠安豪達石業有限公司)
“Fujian Panpan”	Fujian Panpan Biotech Limited* (福建盼盼生物科技有限公司)
“Fujian Septwolves Group”	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司)
“Group”, “we”, “us,” or “our”	the Company and its subsidiaries
“HKAS(s)”	Hong Kong Accounting Standards
“HKFRS(s)”	Hong Kong Financial Reporting Standards
“H Share(s)”	overseas listed foreign shares in the share capital of our Group with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
H Share Registrar	Boardroom Share Registrars (HK) Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions (continued)

“Independent Third Party(ies)”	(an) individual(s) or (a) company(ies) which, as far as the Directors are aware after having made all reasonable enquiries, is/are not (a) connected person(s) of our Group within the meaning of the Listing Rules and are independent of and not connected with the Company and its directors, chief executive, and Substantial Shareholders or any of its subsidiaries or their respective associates
“JJHX”	Jinjiang Huixin Microfinance Co., Ltd.* (晉江市匯鑫小額貸款有限公司), a non-wholly owned subsidiary of the Company, established in the PRC in April 2014
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	30 September 2016, the day on which the H Shares became listed on the Hong Kong Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Quanzhou” or “Quanzhou City”	Quanzhou City (泉州市), Fujian Province
“Quanzhou Haoxiang”	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司)
“Quanzhou Huixinxing”	Quanzhou Huixinxing Investment Co., Ltd.* (泉州匯鑫行投資有限責任公司) established in the PRC with limited liability on 19 October 2017, a wholly owned subsidiary of the Company
“Quanzhou Yuanpeng”	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司)
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“Reporting Period”	the period for the year ended 31 December 2022
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“SMEs”	small and medium-sized enterprise(s)
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, collectively refers to Fujian Septwolves Group, Mr. Zhou Yongwei and Ms. Chen Pengling

Definitions (continued)

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Wealth Success”	Wealth Success Enterprise Limited (成康企業有限公司)
“Xiamen Jiayucheng”	Xiamen Jiayucheng International Trade Co., Ltd* (廈門嘉裕誠國際貿易有限公司)
“Xiamen Shunyingtong”	Xiamen Shunyingtong International Trade Co., Ltd* (廈門順應通國際貿易有限公司)
“Xiamen Yulang Gongwu”	Xiamen Yulang Gongwu Textile and Garment Co., Ltd* (廈門與狼共舞紡織服裝有限公司)

* *for identification purpose only*



Quanzhou Huixin Micro-credit Co., Ltd.*
泉州匯鑫小額貸款股份有限公司